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OUR MISTAKE

Please take note that on page 40, the net migration forecast to Ontario for 1999 should amount to 104,000 persons, not 10,400 as stated.

We are sorry for this inconvenience.

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NATIONAL
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1998



National Housing Outlook

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**NATIONAL HOUSING OUTLOOK
FIRST QUARTER, 1998**

Forecast prepared January, 1998

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CANADA MORTGAGE AND HOUSING CORPORATION**

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Cette publication est aussi disponible en français sous le titre *Perspectives nationales du marché de l'habitation* — N° de catalogue : NHOSF.

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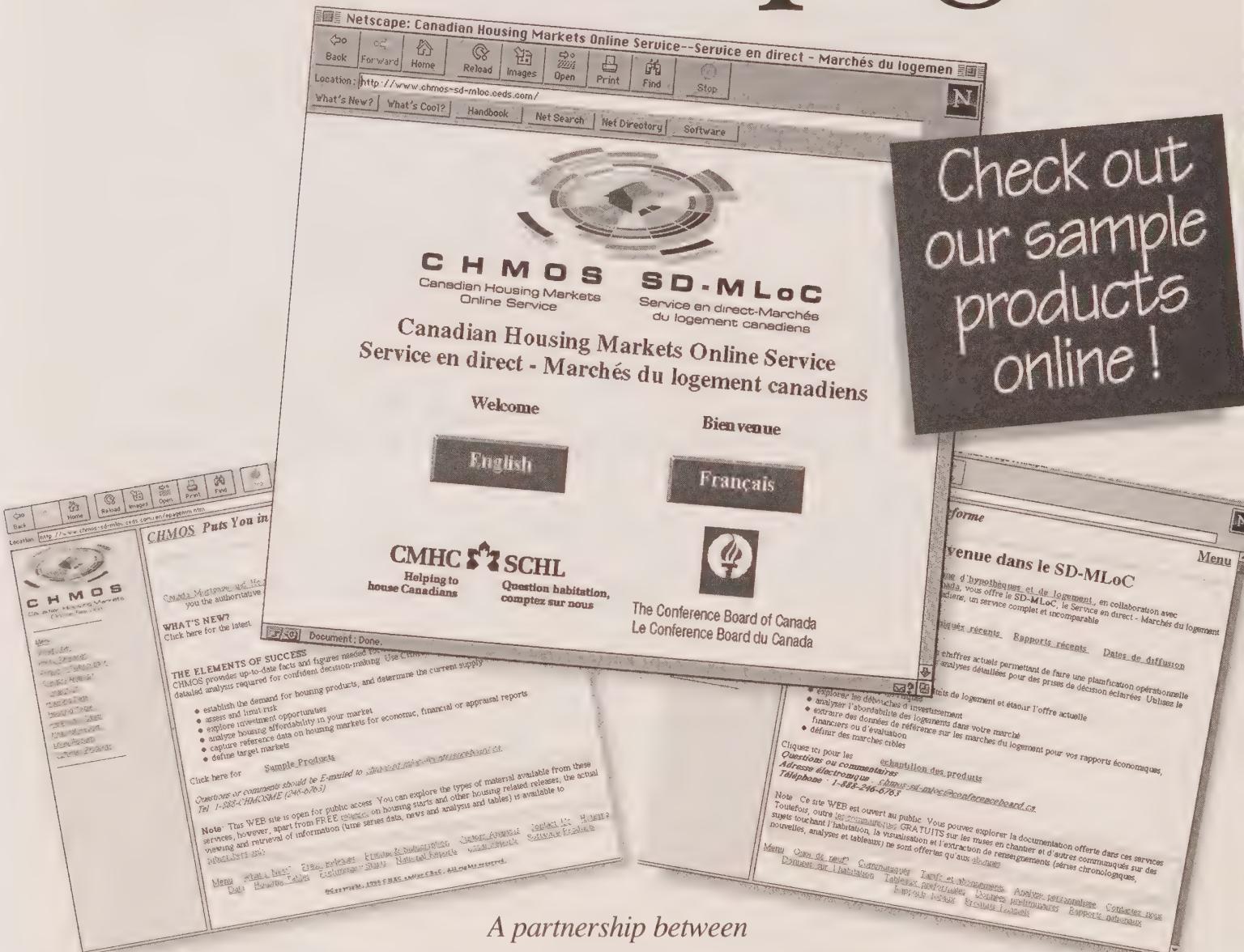
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Executive Summary

National

Although the Asian financial crisis may indirectly influence the Canadian housing industry by leading to higher short term mortgage rates, slower income growth and reduced commodity prices, these effects are likely to be temporary, as the economy will eventually shrug off the malaise. The combination of steady economic expansion, good job creation, and low mortgage carrying costs points to further improvement in housing over the next two years. Total housing starts will rise from 147,040 units in 1997 to 157,900 in 1998 and 160,700 in 1999. Full construction potential, near the 170,000 mark, will be delayed as provincial economies remain out of sync with each other.

The market for single-detached homes is expected to expand moderately in 1998 and 1999, but less than in the last two years. With the effects of lower mortgage rates largely having run their course, employment will now set the tone for single-detached home construction. This market should gain some strength from the lack of newly completed and unoccupied units, with lean inventories currently near eight-year lows. In some local markets, stronger demand will result in less choice and firmer prices for prospective buyers of existing homes. Single-detached starts are expected to rise 6.5 per cent to 99,200 units this year and next.

Multiple-unit construction will expand at a faster rate than single-detached construction, but remain at lower levels than in the

early 1990s. Total multiple starts are expected to rise to 58,800 this year and 61,500 next year. The rental market will be weaker than the condominium and home ownership markets. Strong condo competition and high vacancy rates in many major urban centres will discourage new investment in rental accommodation, but construction of rental units is still expected to show some improvement as job opportunities increase for younger people. The condo and home ownership markets will build on gains over the last two years, thanks to their relatively low cost and excellent financing conditions. Much tighter inventories of new and unoccupied multiple units will translate into a greater need for new construction.

The sales pace on the existing home market, which was stimulated by declining mortgage rates in early 1997, is expected to slow in 1998. Although long-term rates are expected to edge down again, this alone will not be sufficient to reflate unit sales. Rising employment will have a greater effect on activity, driving up sales through most of the year and leading to strong MLS* sales in 1999. Sales through the MLS system are expected to reach 326,200 transactions, a decrease of 1.4 per cent from the 330,725 peak in 1997. Total transactions will inch down to 324,500 in 1999.

Newfoundland

Megaprojects like Terra Nova, Voisey's Bay and Hibernia will be the major catalysts, with real GDP

expected to advance by 4.5 per cent in 1998 and surge ahead by another 6 per cent in 1999. Employment growth will also pick up steam, particularly late in 1998. Despite a positive outlook for the economy as a whole, rural areas of the province will continue to struggle, with poor job prospects in the fishery. The positive effects of employment growth and low mortgage rates on housing will be tempered by the persistence of out-migration and widespread oversupply in most rental markets. As a result, provincial housing starts will increase marginally from 1,696 in 1997 to 1,725 units this year. The economic recovery will become more broadly based, boosting housing starts to 1,850 units in 1999. Employment growth and migration from rural areas to the St. John's metro area will support marginal resale gains this year and next.

Prince Edward Island

Economic growth on the Island over the next two years will be modest. Employment is expected to increase, but many positions will be seasonal as tourism development pushes ahead. Traditional sectors on the Island will remain relatively stable, experiencing less growth than in the past few years. Potato production in particular is unlikely to top 1997's record levels. As a result, housing is expected to

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

remain stable on PEI for the near future, holding at 470 units in 1998 as in 1997, and picking up to 525 units in 1999.

Competition from the resale market will remain strong, as listings of available existing homes stay high. Total resale transactions, however, will not match 1997 levels because many renters and first-time buyers made the jump to home ownership when borrowing rates were on their way down or when they began to rise last year.

Nova Scotia

Nova Scotia's economy is poised to build on the healthy gains posted in 1997. Much of this optimistic forecast is based on the beginning of the \$3 billion Sable Island Offshore Energy Project, the associated pipeline and several other unrelated projects.

Despite the positive economic forecast for 1998, a substantial recovery in the residential construction sector will not occur until next year. Total starts will rise from 3,813 units in 1997 to 3,850 units in 1998 and 4,280 in 1999. Construction of single-family homes will show modest growth this year. Much of this activity will be driven by move-up buyers. First-time buyers will remain sidelined by a decrease in the affordability of new homes as a result of the HST and the loss of the provincial sales tax rebate. MLS transactions will grow by 3.1 per cent this year, topping 7,800 transactions, with low mortgage rates and increased consumer confidence.

New Brunswick

While the economy performed below expectations in 1997, 1998 still holds promise. New major projects, including \$1 billion in

highway work, will support improvement and lead to stronger overall labour market conditions. These will also set the stage for continued strong performance into 1999. With good employment growth forecast to continue, income gains and associated improvements in consumer confidence are also set to post good advances. As a result, builders and real estate agents alike can look forward to better times in the years ahead.

The existing market will rebound first, reaching 4,125 transactions in 1998 and 4,400 in 1999. The new construction market, which will top 2,800 housing starts in 1998 and 3,050 in 1999, will get added strength from an expanding home ownership market. Strong job creation will provide home buyers with the confidence needed to re-enter the market.

Quebec

While economic growth remains anaemic and budget policies are still tightening at the provincial and local levels, housing markets will benefit from low interest rates, affordable home prices and some improvement in the migration balance. Transactions on the existing home market, limited by weak job creation, will retrench to 41,000 sales in 1998 and 39,000 in 1999. These volumes, which are high compared to those of the 1980s and early 1990s, will drive up prices and encourage construction of new homes. Total housing starts are forecast to reach 28,000 units this year and 27,700 next year, up from 25,896 in 1997. Purchases of both existing and new homes will remain dominated by first-time buyers, but move-up activity is expected to increase along with improved consumer finances.

Ontario

Housing starts will jump by 10 per cent to 59,500 in 1998 and rise further to 63,000 in 1999. Rising consumer confidence and active resale markets will provide a boost to single-detached and multiple home construction alike. Low mortgage carrying costs will allow more potential buyers to consider new homes, which tend to be more expensive than resale homes.

Multiple starts will move up, as renters in search of cost-competitive ownership homes increase demand for town homes and condominiums. Potential move-up buyers who have equity in an existing home will find it relatively easier to sell it to accommodate their move. Rental construction, which has been at a virtual standstill, will move up a little in the next two years.

Consumer optimism created in an environment of strong job creation will sustain the demand for existing homes — resale numbers are predicted to edge up in both 1998 and 1999.

Manitoba

Total housing starts reached 2,612 in 1997 and should increase further to 2,900 this year, mainly on the strength of the single-detached homes market. Continued economic growth and lower unemployment will combine to maintain the improvement in consumer confidence and boost single starts to 2,300 in 1998. Consumer confidence will bring a release of pent-up demand that has built up through much of this decade. In addition, builders will boost their production levels by turning their attention to the entry-level buyer, who is being enticed into the new home market by low mortgage rates and builder incentives. Multiple unit construction in 1998 will hit the 600

unit mark, mirroring the gains realized last year. Total starts will be fewer in 1999, reaching 2,725 units. Momentum is not expected to carry through to 1999 because of projected slower economic growth. Upbeat employment prospects teamed with improving migration will support resale market gains this year.

Saskatchewan

Saskatchewan will experience another year of strong job growth, but the pace is unlikely to be sustained through the forecast period. There is also some concern that a lack of skilled-trades people may restrict home construction. More established builders are confident, given the advantage of long-standing relationships with subtrades, however small firms entering the market are experiencing delays in completion of their projects. As a result, new home building in the province is set to decline moderately to 2,585 units this year and to 2,445 units next year. New single-family construction will be buoyant in both forecast years. Rising prices and scant inventories of resale homes are creating a new niche market of more modest home buyers, frustrated with the lack of choice in the resale market.

Alberta

Despite worries about falling commodity prices, the strong momentum built up in Alberta's housing markets will be carried forward throughout much of 1998. Total housing starts will climb by 20 per cent to 28,500 units this year. Strong demand associated with increased employment and in-migration as well as the limited choice of existing houses will lift single-detached production this year to a new high of 21,000 units. Despite low mortgage rates, a combination of labour and material shortages will boost prices and erode affordability. In 1999, residential construction activity will slow only slightly and will remain near historically high levels at 28,000 units.

Resale markets in Alberta peaked last year, as surging demand ran head-on into rising prices, reduced affordability and fewer listings. A lack of listings will limit the number of transactions in 1998, with total resales reaching 42,000 units.

British Columbia

B.C.'s economy is expected to gain ground at a much slower pace through the end of 1999. Forestry and coal industries will be hardest hit by reduced demand for exports to financially troubled Southeast

Asia. Setbacks in job prospects and consumer confidence levels will set the stage for more out-migration and weaker demand for housing.

Home building is forecast to slip 6 per cent to 27,600 this year and a further 1.8 per cent to 27,100 in 1999. The new condominium market will take most of the hit as demand from first-time buyers wavers. Smaller markets with resource-based economies will also see fewer new home starts. Existing home sales will dip 5.3 per cent this year, but will begin a slow recovery in 1999. Average house prices will edge down both years, to \$213,000 for 1999.■

Canada

by Michel Laurence and
Louis Trottier



Housing Review

Ups and downs in 1997

For the home building industry, the year 1997 was a big improvement over 1996 but characterized by ups and downs. After starting on a strong footing, the year slowed in the second quarter and picked up slightly later on. The uneven pace nationally reflected a strengthening economy, rising short term and declining long term mortgage rates, improved supply and demand housing conditions, mixed in with tax changes in three of the four Atlantic provinces. Total housing starts rose 17.9 per cent to 147,040 units, the highest level in three years. Singles construction, which increased by 19.5 per cent to 93,186 units, outpaced multiples construction, up 15.3 per cent to 53,854 units.

Singles and multiples on different paths

The singles and multiples market followed different paths during the year. Except for a first quarter surge, starts of single-detached dwellings hovered just above the 90,000 mark on a seasonally adjusted annual rate basis (SAAR). An affordable market and lean inventories helped new singles construction through to the end of the year. Multiple unit construction rose steadily throughout

the year, thanks in large part to more condominium demand and greatly reduced inventory of newly completed units. The rate of multiples starts rose from 51,400 units SAAR during the first quarter to 56,100 units during the fourth quarter. High but improving rental vacancy rates delayed a big rebound in multiples, although new construction of rental projects was mushrooming in some local markets.

Resale market: In like a lion out like a lamb

The resale market roared into the new year at near-record levels as a result of improved home buying conditions. Financing became cheap and house prices were relatively low. The sales pace slowed through the spring period as pent-up demand was largely satisfied and the number of listings dwindled. The sales-to-new-listings ratio was high, and prices of existing homes firmed up. The sales pace remained stable from summer until late in the year. Still, total sales under the MLS system reached a record high of 330,725 transactions, 2.5 per cent higher than in 1996. Average prices moved up 2.5 per cent to \$154,648 as a result of more expensive homes being traded and firmer activity in most local markets.

Rising prices signal changes in home building cycle

Higher resale prices set the stage for higher new home prices. These prices, combined with lower costs for materials and labour, allowed some breathing room in home builder margins in many local markets. The new house price index rose nationally by 0.9 per cent, the first such increase in five years. The rise failed to compensate for prices which have declined since 1995, but signaled a new, perhaps more profitable, phase in the home building cycle.

Starts inching higher while resales stabilize at high levels



SOURCES: CMHC, Canadian Real Estate Association.

Economic Outlook

The Canadian economy started the winter months of 1998 with a bad case of the flu — Asian flu.

Although the Asian financial crisis may indirectly influence the Canadian housing industry by leading to higher short-term mortgage rates, slower income growth and reduced commodity prices, these effects are likely to be temporary, as the economy will eventually shrug off the malaise.

Steady yet unspectacular economic expansion

Following a very strong pace in most of 1997, the economy is expected to tone down toward a more sustainable pace of 3.3 per cent in 1998 and 3.2 per cent in 1999. Economic growth is expected to be much more balanced, relying on export, investment and consumer spending. With excellent growth opportunities in the U.S. and a strong competitive position for Canadian industries, the export sector will continue to expand.

Business investment is expected to remain a positive force, due to excellent corporate profits, pressures

to modernize and the drive to sell exports. The government sector should be less of a drag on economic growth than it has been over the last few years.

Consumers hold the key

Consumer spending, which picked up in 1997, is expected to stay in gear in 1998 and 1999 as long as good job creation continues and real per capita disposable income growth becomes positive. Total employment is projected to rise about 2 per cent this year and next. Real per capita disposable income (personal income after tax and inflation) is slated to move up some 1.2 per cent in 1997 and another 1.5 per cent in 1998. The pace of consumer spending will depend largely on consumer sentiment. The latest index of consumer attitudes monitored by the Conference Board of Canada slipped 2.8 per cent during the fourth quarter of 1997, but confidence is still close to the highest level since the 1991 recession. Consumer spending is bound to increase if this renewed confidence can be maintained, as is likely because of excellent job creation prospects.

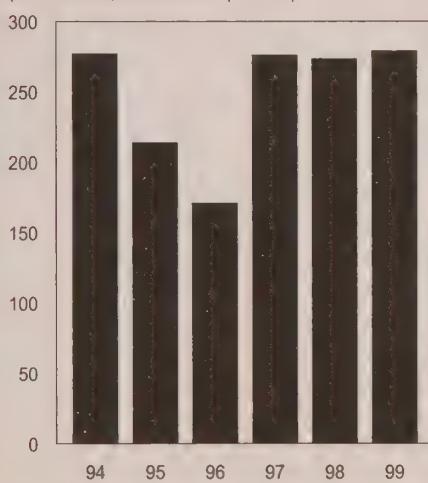
one-year mortgage rate is expected to average 6.5 per cent in 1998 compared to 5.5 per cent in 1997, and the five-year rate 7.0 per cent compared to 7.1 per cent.

Population trends becoming more favourable to housing

Population trends will be favorable to housing, up to a point. Current estimates project a need for close to 170,000 housing units in the second half of the 1990s, up from the 149,000 average in the first half of the decade but below the 213,000 average in the second half of the 1980s. While population growth continues to slow, even with a rise in total net migration to this country, household growth is projected to accelerate because of higher headship rates. Headship rates (that is, the propensity to form households) are likely to increase as a new high is reached in the total number of persons fully employed and able to maintain a household. As labour market prospects improve for young adults, who were hard hit by the early 1990s recession, headship trends are becoming more favourable for this age group.

Job creation to gain momentum

(Job creation, thousands of persons)



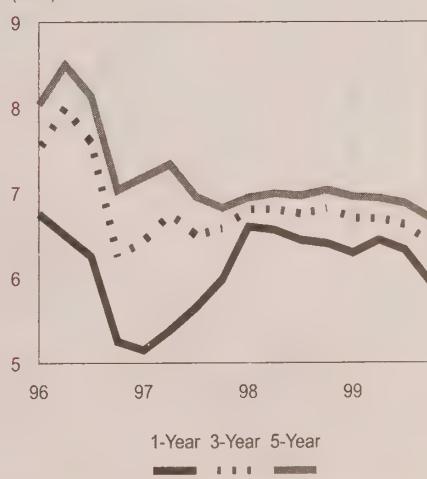
SOURCES: Statistics Canada; 1998-99 CMHC forecast.

Interest and mortgage rates to move lower

A key ingredient for the outlook will be mortgage interest rates. The spread between short-term and long-term financing is expected to diminish, with short rates up and long rates down a little. All rates should remain low through 1998 and 1999, as there are no inflationary fears in sight in the U.S. or Canada and government financing requirements are diminishing in Canada. Pressure for higher short-term rates will be more intense in the early months of 1998 as the Canadian dollar remains weak against its U.S. counterpart. The

Bumpy road ahead for mortgage rates

(in %)



SOURCES: Bank of Canada; 1998-99 CMHC forecast.

Housing Outlook

On the verge of taking off

The combination of steady economic expansion, good job creation and low mortgage carrying costs points to further improvement in housing over the next two years. Total housing starts will rise from 147,040 units in 1997 to 157,900 in 1998 and 160,700 in 1999. The likelihood of reaching full potential is delayed, however, as provincial economies remain out of sync with each other.

Single-detached starts reach highest level since 1990

The market for single-detached homes is expected to expand moderately in 1998 and 1999, but not as much as over the last two years. Single-detached starts are expected to rise 6.5 per cent to 99,200 units this year and next. With the effects of lower mortgage rates largely having run their course in the last two years, employment will now set the tone for single-detached construction. This market should gain some strength

from the lack of newly completed and unoccupied units, with lean inventories currently near eight-year lows. In some local markets, stronger demand will result in less choice and firmer prices for prospective buyers of existing homes.

Rentals will remain the weak link in multiples construction

Multiple-unit construction will expand at a faster rate than single-detached construction, but remain at lower levels than in the early 1990s. Total multiple starts are expected to rise to 58,800 this year and 61,500 next year. The rental market will be weaker than the condominium and home ownership markets. Strong condo competition and high vacancy rates in many major urban centres will discourage new investment in rental accommodation, but construction of rental units is still expected to show some improvement as job opportunities increase for younger people. The condo and home ownership markets will grow, building on gains over the last two

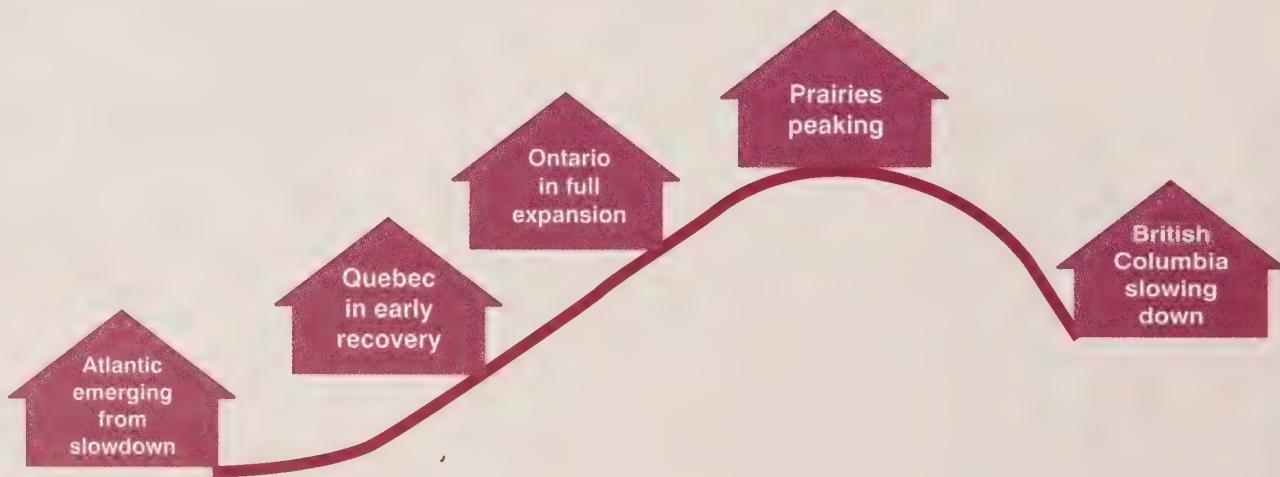
years, thanks to their relatively cheap cost and excellent financing conditions. Much tighter inventories of new and unoccupied multiple units will translate into a greater need for new construction.

From housing recovery in the east to slowdown in the west

On a regional basis, an interesting picture is set to emerge. The Atlantic region will begin to recover from its housing recession; Quebec will continue its moderate recovery; Ontario will expand vigorously especially in 1999; the Prairie region, led by Alberta, will peak in 1998; and British Columbia will slow again relative to the 1993 peak.

Ontario is forecast to enjoy the most significant gains in new construction this year and next, mainly due to the renewed strength of its economy, higher migration and a market already closer to balance with relatively low inventories. Construction of single-detached units should be up by almost 6 per cent this year. All three provinces in the Prairie region will perform well.

Phases of the housing cycle across the regions



Alberta will stand out, as a hot economy leads to a 16-year high in the number of starts. In the Quebec market, new home building is expected to rise but remain sluggish as its economy only slowly recovers. Residential construction will slow in British Columbia, in line with moderate job gains. In the Atlantic region, all four provinces will see a large rebound in 1999.

Resales will tone down in 1998

The sales pace on the existing home market, which was stimulated by declining mortgage rates in early 1997, is expected to slow in 1998. Although long-term rates are expected to edge down again, this alone will not be sufficient to reflate unit sales. Rising employment will have a greater effect on activity, driving up sales through most of the year and leading to strong MLS sales in 1999. Sales through the MLS system are expected to reach 326,200 transactions, a decrease of 1.4 per cent from the 330,725 peak in 1997.

Another good year ahead for housing in the U.S.

U.S. housing starts should slow down moderately this year, to 1.44 million units from 1.48 million in 1997. This is well within the range of between 1.35 and 1.51 million units anticipated by major forecasters of U.S. new construction activity. Moderate economic growth and diminishing consumer confidence will decrease construction activity after three consecutive years of growth.

On a regional basis, gains made in the Northeast (+ 1.6%) will partly offset stable or declining activity in other areas. New home demand will be more targeted toward high-priced units. Following last year's price hike due to higher activity and increased construction of more expensive homes, an affluent market segment and favourable demographics will spark demand for larger new and move-up homes. Total starts in the region will increase less rapidly next year.

The South will remain busy, but activity will decline slightly. Even in the face of strong job creation and the settlement of many retirees, the absence of pent-up demand will pull activity down.

California will do well this year, as job market recovery boosts the state's population base at the expense of Midwest states. Accordingly, the Midwest region will experience the sharpest decline in home building this year.

Total transactions will inch down to 324,500 in 1999.

Home buying affordability at high levels

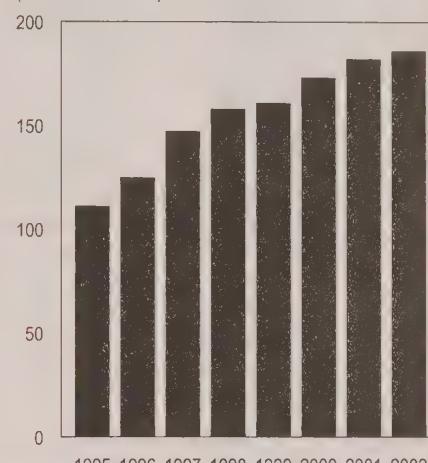
Low price increases will keep homes affordable. Average price gains in the existing home market, over and above the inflation rate, will be significant only in Alberta and Saskatchewan, where demand is leading supply. New home price changes will also be limited, with the average up by 2.7 per cent this year and 2.8 per cent next year. While strong affordability will keep first-time home buyers interested, price-related equity gains will also lift move-up buyer enthusiasm.

Housing starts to reach full potential by the year 2000

CMHC's reference forecast sees housing starts finally reaching demographic potential, above the 170,000 mark, by the year 2000. There are many risks. A key one would be a U.S. downturn before the

Home building should start the new millennium on a stronger note

(thousands of units)



SOURCE: CMHC.
1998-2002 Forecast.

end of this decade, with significant impact on Canada. The reference scenario, however, includes continued rising employment in the 2 per cent range, slightly declining long-term mortgage rates, moderate population growth, and marginal home price appreciation above the inflation rate. ■

Despite lower starts, spending on new construction will be up by 2.8 per cent this year. Greater demand for higher-priced homes will put more money into new construction in the Northeast and West. Spending growth will slide back by 1.7 per cent in 1999. ■

Housing starts, United States (Thousands of units)

	1997	1998 ^(F)	1999 ^(F)
TOTAL	1,476	1,439	1,362
<i>By region</i>			
Northeast	147	149	151
South	653	635	598
Midwest	310	291	263
West	365	362	348
<i>By type of units</i>			
singles	1,145	1,121	1,071
multiples	331	318	291

Sources: DRI McGraw-Hill, CMHC
Forecast for 1998-99

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housing

markets

performing

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Newfoundland

by Brian Martin and Darrin Keough



Highlights

- Megaprojects fuel economic growth
- Outmigration limits recovery in residential construction
- Resale market remains buoyant

Rural area starts fall to record low

High levels of outmigration and uncertain prospects for laid-off fishery workers continued to hold back residential construction in 1997. These two factors combined to lower housing starts in rural areas to their lowest level since CMHC began tracking them back in 1949. As expected, the surge in home building activity in late 1996, prompted by builders' attempts to beat the HST, was not repeated during the fourth quarter of 1997. The number of homes sold through the two MLS

systems within the province also cooled off during the fourth quarter, as the torrid pace established throughout much of 1997 could not be maintained. Despite the year-end lull, provincial MLS sales posted their best performance in a decade.

1998-99 Outlook

Megaprojects fuel economic growth

This year will mark a period of prolonged economic growth for Newfoundland and Labrador. Megaprojects like Terra Nova, Voisey's Bay and Hibernia will be the major catalysts, with real GDP expected to advance by 4.5 per cent in 1998 and to surge ahead by another 6.0 per cent in 1999. Employment growth will also pick up steam, particularly late in 1998, when construction begins on the nickel-cobalt-copper mine at Voisey's Bay, Labrador. By 1999, direct employment on these projects alone will approach 3,500.

The oil and gas industry will record tremendous growth over the forecast period, with investment for 1998 and 1999 pegged at approximately \$1.5 billion. The Hibernia offshore oil project, which produced its first barrel of oil in November 1997, has already set a Canadian record for daily production. Over the next two years, Newfoundland's fledgling oil and gas industry will mature from strictly exploration and development to one of Canada's primary producers of light crude oil.

The province's mining industry will also post healthy gains during the next few years. After a short delay,

construction of the Voisey's Bay mine is expected to begin this year with work on the smelter-refinery complex at Argentia scheduled to commence in 1999. Any further delays in the Voisey's Bay development present some downside risk to the forecast.

Despite a positive outlook for the economy as a whole, rural areas of the province will continue to struggle. Poor job prospects in the fishery, combined with vastly improved economies in St. John's and other parts of Canada, will continue to entice young Newfoundlanders to leave in search of employment. High levels of outmigration and a declining provincial birth rate will result in population declines throughout the forecast period.

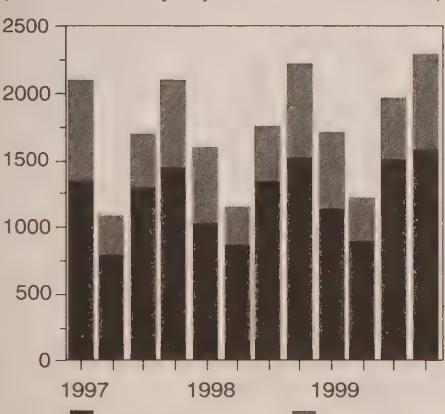
Housing starts improve on strength of singles

The positive effects of employment growth and low mortgage rates will be tempered by persistent outmigration, continued uncertainty over the future of the fishery and widespread oversupply in most rental markets. As a result, provincial housing starts will increase by a marginal 1.7 per cent this year to 1,725 units. The economic recovery will become more broadly based in 1999, boosting housing starts 7.2 per cent to 1,850 units.

Gains in residential construction will come largely from single-detached starts, which are forecast to rise by a modest 2.5 per cent this year and an additional 8.0 per cent in 1999. While demand from first-time buyers for affordably priced semi-detached units will remain strong, high vacancy rates will continue to discourage investment

Housing Starts NEWFOUNDLAND

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

in large multiple projects and two-apartment units. Accordingly, multiple-unit activity will stagnate at around 475 units in 1998 but should inch up to 500 units next year as activity picks up in centres directly involved in the Voisey's Bay development.

Resale market remains buoyant

Employment growth and immigration from rural areas to the St. John's metro region will support marginal resale gains this year. The popularity of lower priced, converted condominiums will also help to bolster resale volumes over the forecast period. Although mortgage rates have increased recently, they are low in historical terms and remain a major contributor to housing demand. Provincial MLS sales will edge up by 1.4 per cent to 2,200 units this year. In 1999, rising personal incomes, particularly within the St. John's metro area, will support an additional 2.3 per cent increase in provincial sales to 2,250 units. Despite continued strength, abundant supplies of affordably priced homes will moderate average price growth.

Vacancy rates begin gradual descent

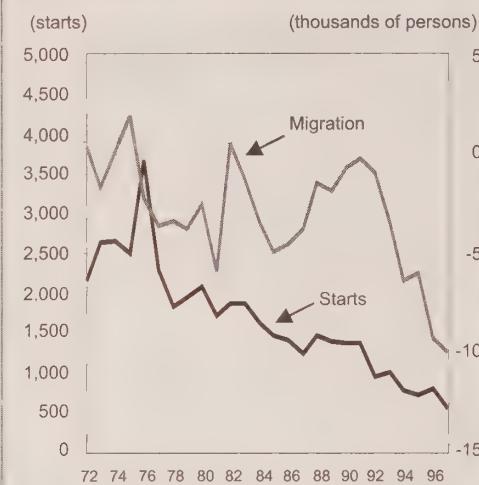
As job creation in the metro area becomes more firmly rooted, confidence is also expected to improve. These conditions should help to ease the flow of young people leaving the region and provide a higher degree of stability to the local rental market. In addition, the supply of vacant rental stock will also decline as rental projects are increasingly converted to affordably priced condominiums. As a result, vacancy rates in the St. John's CMA will fall gradually to 14.0 per cent in late 1998 and decline further to around 12 per cent by the latter part of 1999. ■

Outmigration reins in rural housing starts

Throughout its history, migration has been one of the most important demographic issues faced by the province of Newfoundland. Over the past quarter century, there have only been four years when the province experienced positive net migration (i.e., when more people moved to the province than moved out). Since the beginning of the groundfish moratoria in 1992, net outmigration from the province has climbed to unprecedented levels.

Between 1992 and 1997, it is estimated that approximately 35,000 more Newfoundlanders left the province than returned. Not only has this outmigration led to an overall decline, it has also significantly changed the age profile of the population. In fact, fully 95 per cent of these net migrants are below the age of 45, with 76 per cent between the ages of 18 and 44. This has directly affected housing demand, particularly in rural areas of the province. As indicated in the graph, rural housing starts have been on a downward trend for the past 20 years, reaching an all time low in 1997. As a result, rural areas accounted for only 32 per cent of provincial housing starts last year, down from a peak of almost 85 per cent in 1960. A vastly improved economic outlook is expected to reduce outmigration from the province over the next few years. However, since many of the opportunities associated with the Hibernia, Terra Nova and Voisey's Bay projects will be located in St. John's, outmigration from rural areas will remain high in historical terms. As in the past, a sustained improvement in rural starts activity will largely depend on the recovery in the fishery. ■

Rural starts vs net migration



SOURCES: Statistics Canada, CMHC.
1997 CMHC migration estimate.

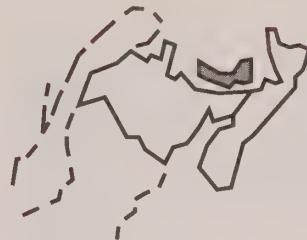
Key Provincial Indicators

NEWFOUNDLAND	1997	1998 ^(F)	1999 ^(F)
Real GDP (% Change)	0.4	4.5	6.0
Employment	1.1	1.6	2.1
Unemployment Rate (%)	18.8	18.1	17.1
Housing Starts (Units)			
Total	1696	1725	1850
Singles	1220	1250	1350
Multiples	476	475	500
MLS Sales (Units)	2170	2200	2250
Average MLS Price (Dollars)	92212	92500	93000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Prince Edward Island

by Ralph Freeze



Highlights

- Home building in 1997 disappointing
- No significant change in construction forecast
- Sales of existing homes continue to roll

Home builders on PEI will not have overly fond memories of 1997. New home construction was down significantly during a year when headlines in much of the country were describing gains in housing. Although this was not the first time the Island bucked a national trend, it was a bitter pill to stand out as one of only two provinces with a large decline.

A year filled with excitement over the opening of Confederation Bridge, a

huge increase in tourism, record high potato production and low borrowing rates did nothing to stimulate demand for new homes. In the final quarter, single-detached construction in urban areas was able to match 1996 levels for the first time all year. However, not since 1981 has there been a fourth quarter with fewer total starts.

be reduced, especially on farms with an abundance of water running through the property.

New home construction stabilizes

With stable housing fundamentals expected, the forecast for new home construction on PEI in 1998 shows little change from last year.

Employment levels are expected to stabilize, with some shifting away from government sector work to business services and some technology-related positions. Overall income levels are not expected to be influenced by these shifts.

Another key factor is the continuing competition from resale markets. Buyer's market conditions exist across the province and the supply of resale homes is high. These conditions stimulated the sales of existing homes in 1997 at the expense of new construction. The inventory of new, unsold homes is not monstrous, but it is significant in a slow market.

Building for the speculative market will be a risky move, at least during the first half of the year. A gradually improving economy in 1998 will see a small increase in demand for new homes. The out-migration that followed bridge building days will slow down and reverse directions.

Rental construction over 1998-1999 will be approximately the same as last year. Although vacancy rates in the Charlottetown area have stabilized around four percent, demand is not increasing beyond this level. With buying conditions so much in their

1998-99 Outlook

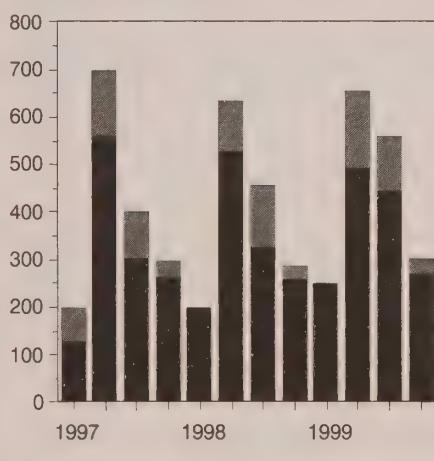
Economic activity slows down

During bridge construction, PEI had its day as regional leader in economic growth. The record will be more modest over the next two years. Employment is expected to increase slightly, with many sectors experiencing minor changes. The aerospace industry may stand out as an exception if the province benefits from the federal government's helicopter contract. Many new jobs will be seasonal, as tourism development pushes ahead.

Traditional sectors on the Island will remain relatively stable, with less growth than in the past few years. Potato production is unlikely to top 1997's record levels. Processing will continue to grow, with the dehydration plant expected to be in operation during the forecast period. Farming and forestry practices which pollute waterways and contribute to soil erosion have come under heavy pressure. Recent recommendations may also limit land use. If buffer zones are implemented, tillable acreage will

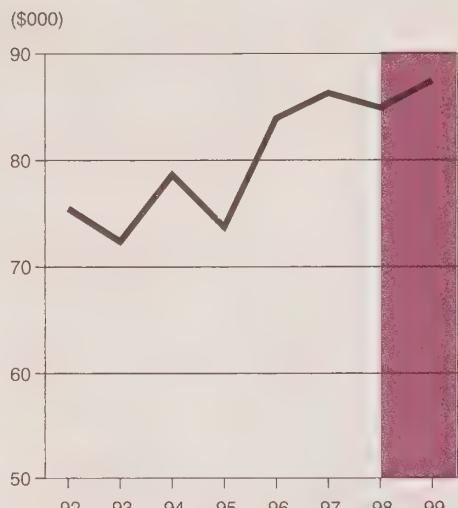
Housing Starts PRINCE EDWARD ISLAND

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

Existing home prices to stabilize PRINCE EDWARD ISLAND



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

favour, renters who want to be owners are watching closely.

Developers of rental properties are also watching the market with a keen eye. Interest in new construction is high, but demand will be just short of a need for more building. Deciding to go ahead with apartment construction will be a tough decision. Semi-detached and row structures will be more attractive to renters over the next two years, but the hurdle of stable demand will remain for builders.

Resale market remains strong

With favourable borrowing rates and good prices, sales of existing homes will continue to be strong over the forecast period. These conditions will mobilize first-time home owners and encourage more move-up activity. Some current owners will see how a buyer's market affects prices and will decide to fix up instead of moving up.

Total sales will not match 1997 levels. Many renters and first-time buyers made the jump when borrowing rates were on their way down or began to rise last year. Besides, the supply of existing homes has been picked over and a number of the best buys are no longer on the market.

In 1998, the average sales price will drop slightly from last year's record high. Actual prices are forecast to remain stable, so fluctuations in average price will result from sales occurring in different localities. Sales in urban areas will make up a smaller proportion of total sales, adding downward pressure to the average price.

Next year will see a new record average sales price on PEI. Fewer

sellers will be under the gun to sell and a reduced supply will diminish buyer's market conditions. Demand will improve as employment begins to rise. The employment benefits of Confederation Bridge studied thus far have focused only on construction work. Now, statistics will begin to reveal the ultimate impact of the Bridge on all sectors of PEI's economy and on the opportunities that have resulted. ■

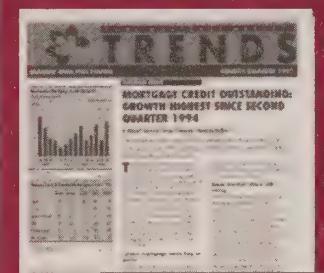
Key Provincial Indicators

PRINCE EDWARD ISLAND	1997	1998(F)	1999(F)
Real GDP (% Change)	0.5	1.0	2.0
Employment	1.7	0.0	1.6
Unemployment Rate (%)	14.9	15.2	13.6
Housing Starts (Units)			
Total	470	470	525
Singles	374	380	425
Multiples	96	90	100
MLS Sales (Units)	806	750	700
Average MLS Price (Dollars)	86352	85000	87500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

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Nova Scotia

by Todd Selby



Highlights

- Oil and gas industry to lead economic growth
- New and resale markets to show modest recovery in '98
- Move-up buyers will drive housing demand

Nova Scotia housing markets turn in disappointing performance in '97

Nova Scotia started 1997 as one of the growth leaders in the resale and new housing markets in Canada. However, the first quarter performance could not be sustained and provincial housing markets ended the year down from the healthy pace set in 1996. Resale activity, which started the year 8 per

cent ahead of 1996, began to slow in the spring and ended the year 8.4 per cent below the record-setting level of 1996. Similarly, the construction of single family homes dropped by 10.3 per cent to just over 2,900 starts. If not for a 11.9 per cent jump in multiple family starts, the residential construction picture would have been far weaker than it turned out to be.

Underlying the weakness in Nova Scotia's housing markets was weak demand from first-time home buyers, who are no longer the driving force in new and resale markets around the province. Much of the demand from this group of buyers was absorbed by the Provincial Sales Tax Rebate program, which returned up to \$3,000 to first-time buyers who built a new home. This encouraged many families to consider home ownership well before they normally might have. The surge in home building to satisfy families taking advantage of the rebate ended with the program in April.

one million dollars is expected daily, with many of the benefits going to job-hungry Guysborough County. Work on this project is now under way, with gas expected to come ashore in 1999. It should allow Nova Scotia's tradespeople to secure employment for the next couple of years as the project swings into high gear.

Although the Sable project will dominate growth in 1998, several other smaller projects will also contribute to the economic well-being of the province. Over the next three years, over \$360 million will be spent on the construction and renovation of schools around the province. In addition, an \$18.5 million plant to manufacture furniture for Ikea in Cornwallis will create 125 permanent full-time jobs. Activity will also grow in the service sector, as AT&T Canada gets set to open a \$9 million call centre, with 1,000 new full- and part-time jobs over the next two years.

Healthy economic gains will make Nova Scotia more attractive over the next two years, and more people will move to the province than will leave. Net migration, led by skilled workers coming to Nova Scotia to work on the Sable and other projects, will top 2,000 in 1998 before slightly dropping late in 1999, when the Sable Island project winds down.

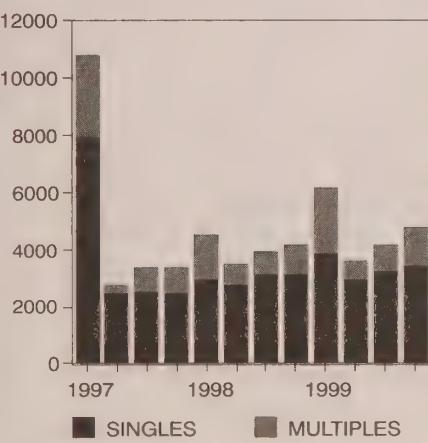
1998-99 Outlook

Natural resources to lead growth

Nova Scotia's economy is poised to build on the healthy gains posted in 1997. After growing by 7,000 last year, employment will rise by another 6,000 jobs in 1998. Much of the optimism surrounding the provincial outlook for 1998 is based on the beginning of the \$3 billion Sable Island Offshore Energy Project and the associated pipeline. An expenditure of

Housing Starts NOVA SCOTIA

(units, seasonally adjusted at an annual rate)

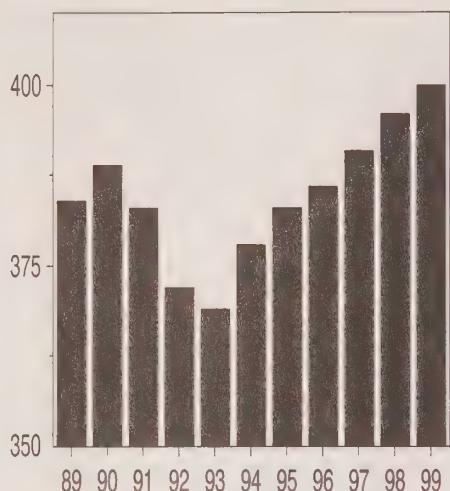


SOURCE: CMHC.
1998-99 Forecast.

Another decline forecast for rental vacancies in '98

Although many of Nova Scotia's rental markets will continue to be

Employment moving higher NOVA SCOTIA



SOURCE: Statistics Canada.
1998-99 forecast by CMHC.

real estate boards will grow by 3.1 per cent, and will top 7,800 units in 1998.

The lion's share of homebuying will be in Halifax, where almost 70 per cent of provincial sales will take place. A slow start to the year in Halifax will be offset by a shift in focus to the move-up buyer, resulting in a 2 per cent gain in sales. The Annapolis Valley will also show some good growth, as it is less dependent on first-time buyers than other areas in the province.

Healthy price gains around the province will reflect a shift to the larger homes preferred by move-up buyers. On average, house prices will grow by 1.3 per cent in 1998 and will hit the \$98,000 mark, on their way to more than \$100,000 for the first time in 1999.

buyers. New homes, which are less affordable because of the HST and the loss of the Provincial Sales Tax Rebate, will leave first-time buyers on the sidelines for the second year in a row.

Geographically, much of the growth in construction will occur in rural Nova Scotia, where an improved economy will stimulate confidence. On the urban side, only Halifax will grow, albeit modestly, in single-family construction. Builders will struggle for much of the year to reach 1997 levels before starting to show some gains late in the year. However, higher levels of construction can be expected in 1999, when this year's strong economy finally influences the housing market.

Activity in multiple-family units will remain well below the average of 1,400 new units achieved throughout much of this decade. This slowdown in construction will last for the next two to three years, as developers wait for their existing projects to be absorbed and look for a sustained improvement in the rental vacancy rate. ■

oversupplied, the availability of apartments will decline for the second year in a row. Led by a drop in Halifax, where vacancies will fall to just over 7 per cent, the vacancy rate will show modest improvement over the next two years. Underlying the drop in vacancies will be a decline in the number of renters who become first-time home buyers. This, and increased demand from recent migrants to Nova Scotia, will increase demand for rental housing in 1998 and 1999.

Move-up buyers to drive resale market

After a disappointing performance in 1997, Nova Scotia real estate agents can expect to see the pace of home buying pick up this year. Increased consumer confidence, brought on by lower mortgage rates, higher affordability and increased job security, will convince many growing families that now is the time to look for a larger home. First-time buyers are no longer the main force on the resale market, as they have been for the last four or five years. With the return of move-up buyers, resales through area

New home construction to show modest growth over '97 levels

Even with the generally positive economic forecast for Nova Scotia, the residential construction sector will not recover substantially this year. However, there will be modest growth in the construction of single-family homes, as starts increase by 1.2 per cent to 2,975 this year. Much of the activity will be driven by move-up

Key Provincial Indicators

NOVA SCOTIA	1997	1998 ^(F)	1999 ^(F)
Real GDP (% Change)	2.3	2.8	2.5
Employment	1.8	1.5	1.0
Unemployment Rate (%)	12.2	11.4	11.1
Housing Starts (Units)			
Total	3813	3850	4280
Singles	2939	2975	3230
Multiples	874	875	1050
MLS Sales (Units)	7567	7800	8275
Average MLS Price (Dollars)	96696	98000	101000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

^(F) Forecast by CMHC.

New Brunswick

by Bruce Read and Laurie Gosselin



Highlights

- Job market gains will drive improved housing demand
- House construction will rise by 3.6 per cent, MLS sales by 4.7 per cent
- Price movements will be small

Too little — too late

Recovery in the provincial labour market came too late in 1997 to affect the housing market in a meaningful way. Consumers who became discouraged by limited job prospects during the spring and summer remained on the sidelines during the final quarter of the year. Sales in the existing market were off by less than one per cent at the end of June and closed out the year at 3,941, down by 2.0 per cent. Weak sales during the second half of the year came as a result of soft conditions in the Moncton and Saint John markets.

A growing inventory of homes for sale is beginning to erode the average price of homes trading hands. Prices lost ground during the closing months of the year after rising by 7.6 per cent to \$90,000 at the end of June. A price decline of 1.9 per cent during the final quarter shaved earlier gains to 3.6 per cent. The growing inventory of active listings will keep prices from rising over the winter months as sellers prepare for better times during the warmer months.

The new construction market opened up the year on a strong note, but has been faltering ever since. A weak second quarter was followed by a small advance during the summer months, when buyers took advantage of attractive mortgage rates. The ongoing weakness in the jobs market, however, came to bear in the last months of the year and final quarter construction fell off by 5 per cent. Although the year-end starts total was within one per cent of 1996's 2,722, the improvement was thanks largely to a strong 5.1 per cent gain in multiple unit construction.

did not follow through with earlier plans to initiate a \$600 million highway project. In the manufacturing sector, the Saint John shipyard was left idle when an expected start-up of shipbuilding activities did not occur. Weakness in international pulp and paper markets, in part brought on by disruptions in Asia, also kept local mills in the important forestry industry from operating at higher capacity. As a result, manufacturing shipments for the province were down almost 2 per cent by the end of the third quarter.

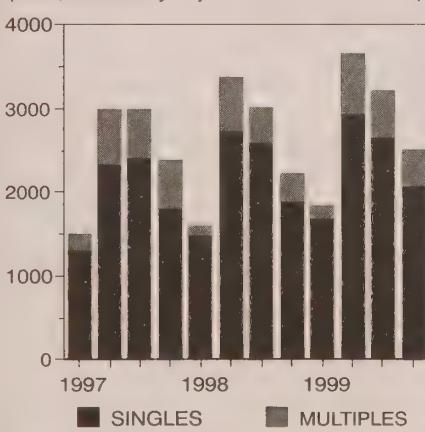
Mining, which posted a good performance early in the year on the strength of rising zinc prices, recorded a downturn during the closing months of the year. Softening international commodity prices and technical problems in the local potash industry led to poor overall performance for the sector. The outlook for 1998 remains clouded, with no short term relief on the horizon.

While economic performance in 1997 was below expectations, 1998 still holds promise. Recovering prices in the forestry sector and the initiation of close to \$1 billion in highway work will support the improvement and lead to stronger overall labour market conditions. Adding to these encouraging prospects is the likelihood that a number of other major projects will get under way during the year ahead. The Saint John dry docks, which have been hurting since the completion of the \$12 billion Canadian Frigate Program, is preparing for the start-up of \$150 million worth of container ship work.

More good news is on the way for the Saint John area, as the local oil refinery upgrade gets under way. This much-rumoured project now appears likely to go ahead, bringing an

Housing Starts NEW BRUNSWICK

(units, seasonally adjusted at an annual rate)



1998-99 Outlook

New beginnings bode well for all

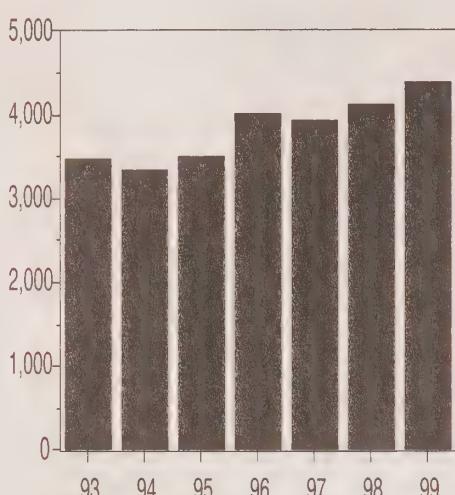
The expected improvement in the provincial economy in 1997 did not occur. Weakness in the manufacturing and construction sectors underpinned this lacklustre performance and suppressed consumer confidence.

Non-residential construction, originally forecast to improve over the past year, was held back by the postponement of a number of major projects. The provincial government, which had budgeted a large percentage of capital dollars to highway upgrades,

Residential MLS sales back above the 4,000 mark

NEW BRUNSWICK

(units)



SOURCE: Canadian Real Estate Association
1998-99 forecast by CMHC.

estimated \$1 billion into the economy. Adding to these promising prospects is the Sable Gas Pipeline, which will run through New Brunswick into the northeastern United States. This multi-million dollar project will create upwards of 11,000 jobs in Nova Scotia and New Brunswick.

After causing concern during the first half of 1997, labour market conditions recovered during the closing months of the year. With good employment growth forecast to continue, income gains and associated improvement in consumer confidence are also set to post good advances.

Many of the major projects to get under way this year will set the stage for continued strong performance into 1999. Knowing that the economic road ahead holds promise of further gains, investors will no doubt be encouraged to dust off previously shelved plans and reconsider investment possibilities in the province.

Housing market gets two thumbs up

Builders and real estate agents can look forward to better times in the year ahead. Home buyers who have been looking for positive signals from the job market received the news they needed during the closing months of 1997.

Although the housing market closed the year on a weak note, sales of existing homes and new construction are forecast to recover strongly during the second half of 1998. The existing market will rebound first, led by activity in Fredericton and northern New Brunswick. As the year proceeds, existing house sales in the Saint John market will pick up and end the year close to a record-setting 1,400. Improvements in the Port City market will come as a result of new work expected at the shipyards and the major upgrade at the Irving-owned oil refinery.

Opportunities in the home ownership market will expand

New construction will get added strength this year from an expanding home ownership market. Strong job creation is forecast to continue, providing consumers with the confidence needed to re-enter the market. Single-family construction will rise to 2,350 this year from 2,125 in 1997. Leading the pack with a robust 25 per cent increase in single starts will be Saint John, where economic conditions are expected to improve. House building in the Fredericton market will continue to make gains after a good performance last year. The 20 per cent increase in single starts recorded in 1997 will be followed by another 14 per cent improvement this year. In 1999, provincial builders can look ahead to

continued improvement, as single starts return to the 1994 level of 2,500.

Growing supply will rein in prices

After advancing by nearly 4 per cent in 1997, prices in the existing market will move ahead by a more modest 1.7 per cent this year. Despite the forecast rise in demand, supply will remain a stumbling block to higher prices. Swelling inventories of active listings, resulting from a growing number of "market testers," will provide buyers with ample alternatives to higher-priced options. As inventories ease in 1999 under increased sales pressure, prices will move up another 2 per cent.

High apartment vacancy rates will limit development

Vacancy rates have hovered close to the 6 per cent level for the past several years, and the rental market will not attract increased attention over the outlook period. Following an 18 per cent jump during the past year, apartment-unit construction will post a small decline this year. This will be offset in part, however, by improvement over the next two years in other multiple-unit construction targeted at the home ownership market. Multiple-unit construction as a whole recorded a 5 per cent gain in 1997 and will drop by 22 per cent this year before recovering in 1999. ■

Key Provincial Indicators

NEW BRUNSWICK	1997	1998(F)	1999(F)
Real GDP (% Change)	1.8	2.6	2.9
Employment (% Change)	1.0	2.1	2.0
Unemployment Rate (%)	12.8	12.7	12.5
Housing Starts (Units)			
Total	2702	2800	3050
Singles	2125	2350	2500
Multiples	577	450	550
MLS Sales (Units)	3941	4125	4400
Average MLS Price (Dollars)	87211	88700	90500

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Quebec

by Anh Trinh



Highlights

- Resale market: a record year in 1997, despite a break in the fourth quarter.
- After the storm, all is well again: 28,000 and 27,700 starts in 1998 and 1999.
- Demographic indicators favourable for housing in 1998.

Strong beginning in 1997

Following a feverish upsurge in the level of activity during the first six months of 1997, the housing market in Quebec calmed down in the second half of the year. In the last quarter, the pace of both housing starts and resales slowed somewhat from preceding quarters. MLS sales dropped to 39,800 units, at the seasonally adjusted annual rate, down by 3 per cent from the third quarter, while housing starts declined by 12 per cent.

Even the decline of the last quarter did not keep the resale market from a record year in 1997, with an unprecedented total volume of 43,405 MLS sales, up by 10.7 per cent over a very good 1996. The improved balance between the supply and demand of existing houses also allowed for a small increase of 3.2 per cent in the average price of homes sold. This was the most significant rise in over six years.

The high demand for existing houses spilled over into the new home market, pushing up the number of housing starts to 25,896 units, up by 11.5 per cent over the previous year. Low interest rates and a definite improvement in the labour market were undoubtedly the two key factors that drove housing demand in 1997.

Solid economic expansion last year

On an economic level, 1997 was one of the best years of the decade for the Quebec economy. It grew at a rate of 2.7 per cent, generating over 47,000 new jobs, 80 per cent of which were full-time, and bringing down the unemployment rate considerably. In December, this rate fell below 11 per cent for the first time since July 1994. With inflation practically nil, a number of factors — strong job creation, very low interest rates and a slight gain in disposable income — restored optimism and confidence among consumers, and encouraged the purchase of durable goods, such as automobiles and houses. The consumer confidence index was on the rise for a good part of 1997, and reached its highest level of the decade in the third quarter.

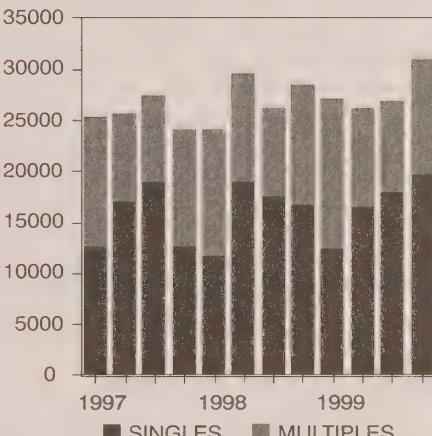
But if renewed consumer confidence pushed the volume of resales to record levels, it also reduced the demand for rental housing. Rental vacancy rates went up in almost all urban agglomerations in Quebec, despite the low level of new rental housing construction. In Montréal, with the largest rental

housing stock in Canada, the vacancy rate rose to 5.9 per cent, almost double the 3 per cent rate that characterizes a balanced market.

Renewed demand from first-time home buyers also stimulated semi-detached and row housing construction. Over 4,200 new homes of this type were built in 1997, an increase of 20.8 per cent over the preceding year. This trend will very likely continue in future years, as baby boomers will be seeking smaller housing units when their children leave home.

Housing Starts QUEBEC

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

1998-99 Outlook

Slower growth in 1998 and 1999

Last year's good home sales performance will probably not be repeated in 1998 and 1999. Strong demand in the last two years represented an effort to make up for 1995, when economic conditions forced numerous young households to put off buying a first home. The rise in housing demand will be curbed by the gradual exhaustion of pent-up demand, and a slowdown in economic growth and job creation.

Economic growth is expected to weaken slightly, by 2.5 per cent in 1998 and 2.3 per cent in 1999. While not affected in a major way by the crisis in Asian markets, the Quebec economy is vulnerable to the American market, which is directly affected by the economic crisis in the Orient. Public spending cuts aimed at balancing the provincial budget by the turn of the century will continue to check economic growth. As well, an anticipated 1998 reduction in the provincial income tax will be balanced for consumers by an increase in the provincial sales tax this year, from 6.5 per cent to 7.5 per cent. The sales tax hike, along with slower employment growth, may well cool down the enthusiasm of consumers. The Conference Board of Canada consumer confidence index for Quebec turned downward during the last quarter of 1997.

Demographics will help housing markets

Demographic indicators are favourable. International immigration should continue to fuel housing demand, while interprovincial out-migration should decline as the labour market improves. Overall, the migratory balance is expected to post net gains of 11,000 people in 1998 and 15,000 in 1999. These gains correspond to a demand for 3,500 to 5,000 additional housing units.

The ice storm, the economy and the housing market in Quebec

The ice storm that hit southwestern Quebec during the first week of 1998 had a considerable effect on the Quebec economy, especially in Montréal. While damage continues to have short-term negative effects on the economy and the local housing stock, medium- and long-term economic effects could be positive.

It is still too early to determine the exact cost to industry and retailers of interrupting business for several days, or of the harm done to the hydroelectric infrastructure, but it can already be said that these damages will exceed \$1 billion. This is equivalent to a reduction of more than 0.5 per cent in Quebec's economic growth. However, the repair and reconstruction of hydroelectric installations, estimated to cost over \$500 million, will likely generate positive economic effects for the construction sector within a year.

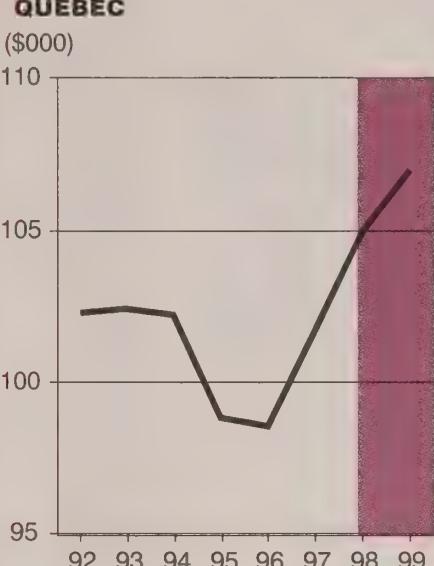
Beyond causing harm to hydroelectric installations, the ice that accumulated during the storm damaged the entire housing stock in the stricken areas. The roofs of houses and heating and plumbing equipment are the most likely items to have been affected. Even without knowing the extent of the damage, one can easily anticipate a significant increase in repair and renovation expenditures this spring. In addition to repairing ice damage, quite a few home owners will want to prepare for similar weather disasters by installing wood furnaces or buying generators. This will raise the level of spending for renovations and for installation of new heating equipment. Total spending on repairs and renovations in Quebec is estimated at over \$5.8 billion for 1998.

Overall, losses caused by the ice storm will no doubt be largely offset by new expenditures for the reconstruction of the hydroelectric infrastructure and for residential repairs and renovations, along with multiplier effects on local economies.

As for the housing market itself, the storm did not disturb any of the fundamental market forces. It delayed certain projects in January, but without any major repercussions on the operation of the market. ■

MLS prices improving this year and next

QUEBEC



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

The resale market is expected to decline slightly in the next two years, attaining 41,000 transactions this year and 39,000 in 1999. Even with these decreases, the volume of MLS sales will remain clearly above the average for the 1980s and early 1990s. Move-up buyers are also anticipated to gradually return to the market this year and next, as the financial situation improves for persons aged 35 years or older. With a better balance between supply and demand and a greater proportion of expensive houses sold, the average price of homes sold will be on the rise over the next two years, reaching \$107,000 in 1999.

The increase in the average price of resales should stimulate a demand for new homes, whose prices have stabilized in the last few years. Unlike the trend in existing homes, single-detached housing construction is expected to rise, from 16,073 units in 1997 to 17,300 in 1998, before falling back to 17,100 units in 1999. A good proportion of the new houses will be built on the outskirts of the large urban centres, where the economic vigour will be felt the most.

Rental market will remain soft

Not many new rental units have been built in the last few years, and most of the new units that have been built were targeted to seniors, whose housing needs are growing as the average age of the population increases. This trend seems likely to continue, as the increased vacancy rate, from 6 per cent in 1996 to 6.3

per cent in 1997, will limit rental increases and slow down new construction. Total rental housing construction should reach 2,500 units in 1998 and 2,800 in 1999. A slight decline in the vacancy rate is forecast for the next two years; however, it will be several years before a 3 per cent rate, indicating a balanced market, is achieved.

The condominium market should also enjoy better times in 1998 and 1999. While first-time home buyers are the main purchasers of condominiums, many baby-boomer households will also be opting for this type of housing as their children leave home. The forecast calls for 2,500 and 2,900 condominium unit starts over the next two years.

In sum, despite slower growth, the real estate sector in Quebec can look forward to two more good years, with housing start levels of 28,000 and 27,700 units. ■

Key Provincial Indicators

QUEBEC	1997	1998(F)	1999(F)
Real GDP (% Change)	2.7	2.5	2.3
Employment (% Change)	1.5	1.2	0.9
Unemployment Rate (%)	11.4	11.1	10.8
Housing Starts (Units)			
Total	25896	28000	27700
Singles	16073	17300	17100
Multiples	9823	10700	10600
MLS Sales (Units)	43405	41000	39000
Average MLS Price (Dollars)	101751	105000	107000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC

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FD122Y1000

Ontario

by Alex Medow



Highlights

- Mortgage carrying costs very affordable
- Home prices move up
- Year end home resales edged lower but still strong
- Manufacturing industries optimistic, consumers confident
- Residential construction will grow

Homebuilding expanded in 1997

Improved consumer and business confidence, and the fastest pace of job creation this decade, combined to lift Ontario's 1997 residential construction to its highest level in five years. Total housing starts, at 54,072, were 26 per cent higher than in 1996. The increases were in ownership homes: single-detached homes, condominiums, and freehold row and semi-detached homes. Rental starts have been extremely low.

Low interest rates kept mortgage carrying costs affordable and added to the environment of growing consumer optimism, which helped Ontario's average resale home price jump by almost six per cent. Even though home resales inched down a bit from the exceptional levels at the beginning of last year, they remained high

enough to register a second record year. Slightly higher resale numbers are anticipated this year and in 1999.

On the supply side, inventories of completed and unsold new homes are modest to moderate in most markets and not likely to cause any construction slowdowns. Home construction costs have started to edge up — this is evident in the home construction components of New Home Price Indexes for major metropolitan areas. All New Home Price indexes have moved up, with the exception of the Sudbury-Thunder Bay index. New home markets in Northern Ontario will lag behind the construction pick-up in the rest of the province.

Ontario economy gaining momentum

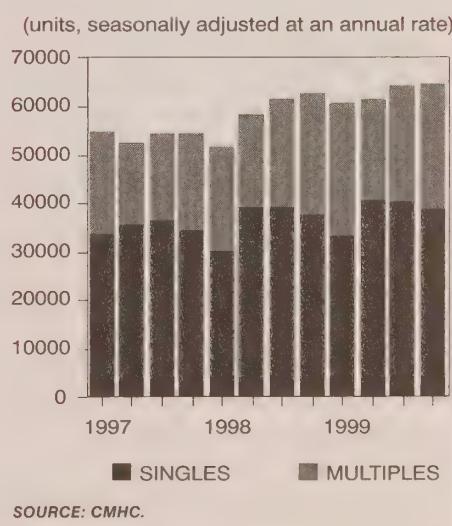
Ontario's economic fundamentals are very good. Jobs are growing faster, and indicators of business and consumer confidence are up. Employment last year expanded at its fastest rate since its two per cent jump in 1989. Job creation will remain slower than the mid 1980s pace of three to four per cent, but it is expected to move up to 2.3 per cent this year and 2.4 per cent in 1999. A high proportion of manufacturing industries reported increases in new orders. Small business owners in Ontario are among the most optimistic in the country and the majority expect conditions to improve.

On a cautionary note, there is some question as to how Ontario will be affected by the Asian Currency Crisis. Because trade volume between the province and East Asia is small, the direct impact will be minor. Indirect effects on exporters as a result of lower commodity prices should be offset somewhat by the influx of currency to North America putting downward pressure on interest rates.

Demographics favourable to housing

Demographic pressures on housing are moderately strong. Provincial housing demand, generated by population growth of over a million since the beginning of the decade, was

Housing Starts ONTARIO



Ontario's renter-aged baby bust is over

Ontario's 1997 vacancy rate in private apartment structures with six units or more edged down to 2.6 per cent from 2.8 per cent last year. The vacancy rate for apartment structures with three units or more is also down, but stands slightly higher at 2.8 per cent. Ontario's average apartment rent inched up by 0.7 per cent from last year.

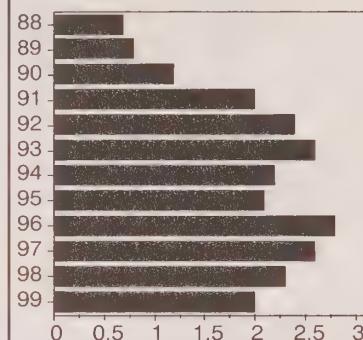
Behind these numbers, two rate trends are evident — that Ontario's vacancy rate in the 1990s has been noticeably higher than in the 1980's, and also that it has started to move down.

So why has Ontario's vacancy rate been higher in the 1990s? First, the province's younger population has shrunk. Younger people tend to be single, to have low average incomes, and to be renters. Thus, a decline in the younger population will normally raise the vacancy rate. Second, high youth unemployment has disproportionately affected younger renters. Potential renters without jobs double up or stay with their parents. Third, rents at the upper end are comparable to the cost of carrying a mortgage and many renters took the plunge into home ownership. Finally, welfare cuts in 1995 have taken income away from just under a third of renter households.

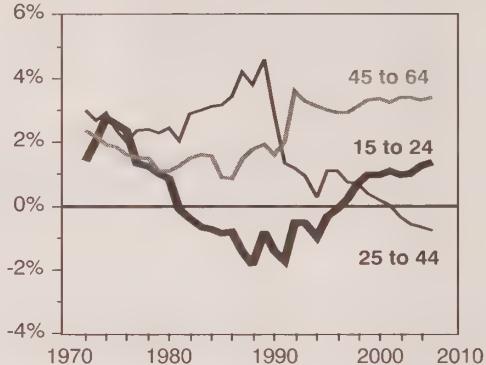
The vacancy rate will decrease for three principal reasons. First, Ontario's economy has improved. Job and income growth allow households to uncouple. Second, the province's younger population

Ontario's vacancy rate moves down Renter aged baby bust is over

Vacancy rate, priv. apts. 6+



Population growth



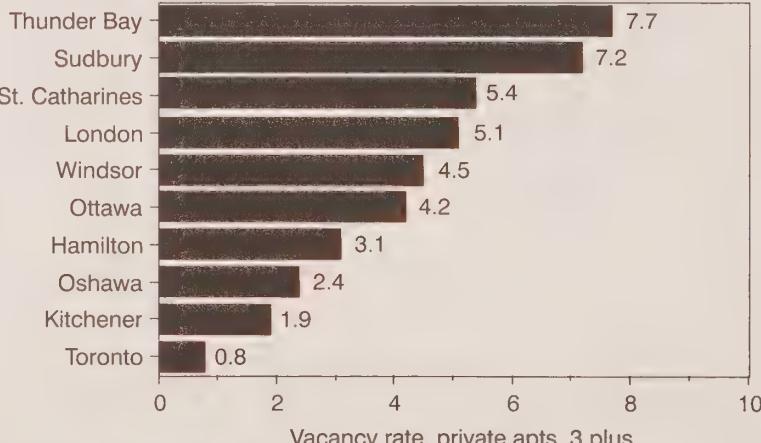
SOURCES: Statistics Canada, CMHC Rental Market Surveys
1998-2006 forecast by CMHC.

has stopped shrinking. Ontario's younger population will grow faster in the next several years and will add to renter demand. Last, immigration to Ontario has been high and is expected to remain so. Immigrants tend to be young and mobile. And, since immigrants tend to rent until they become established, they put pressure on rental vacancy rates.

Half of Ontario's ten Census Metropolitan Areas (CMAs) had lower vacancy rates in 1997

than in 1996. Toronto's vacancy rate, at 0.8 per cent, was the second lowest in the country. Thunder Bay, at 7.7 per cent, had the fifth highest rate in Canada. Vacancy rates tend to be lower in the cities that attract the most immigrants. In Ontario, the lowest vacancy rates are in Toronto, the city that receives most of the province's immigrants, and in the centres within commuting distance of Toronto. ■

Lowest vacancy rates in centres closest to Toronto



SOURCE: CMHC October '97 Rental Market Survey

tempered by severe job losses at the beginning of the nineties and by slower than usual job growth since. But now, as the pace of economic growth picks up, so will the pace of household formation.

Migration contributes slightly more to Ontario's population growth than natural increases (births minus deaths). The latest available partial data for 1997 suggests that net migration to Ontario has bounced back after dropping in 1996, when better labour markets elsewhere increased nonresident and interprovincial outflows.

In the next few years, net migration to Ontario is expected to inch up to levels on the moderately high side. Improvement in Ontario's labour markets will increase the number of job seekers coming to the province from other parts of Canada. In addition, because the province's social and ethnic networks are very attractive to Canada's newcomers, net international migration will remain high and Ontario will get slightly over half of Canada's immigrants.

1998-99 Outlook

Housing will benefit from rising consumer confidence

Housing starts will jump by 10 per cent to 59,500 in 1998 and will rise to 63,000 in 1999. The aftermath of the severe winter ice storms in eastern Ontario will hamper residential construction in the first quarter of this year, but housing starts in the remainder of the year should more

than make up for this slowdown. Rising consumer confidence and active resale markets will provide a boost to single-detached and multiple home construction alike. Low mortgage carrying costs will allow more potential buyers to consider new homes, which tend to be more expensive than resale homes. Multiple starts will move up, as renters in search of cost-competitive ownership homes increase demand for town homes and condominiums. Potential move-up buyers who have equity in existing homes will find them relatively easier to sell to accommodate their move.

Rental construction, which has been at a virtual standstill, will move up a little in the next two years. The latest available data from CMHC's October 1997 Rental Market Survey shows that Ontario's average vacancy rate has started to move down.¹

Consumer optimism created in an environment of strong job creation will sustain the demand for resale homes — resale numbers are predicted to edge up in both 1998 and 1999. Moderating home supply and increased demand has caused home prices to rise in most of Ontario's major centres. The average resale price grew by almost six per cent in 1997 in the province's largest price jump of the 1990s. Resale home price increases for the next two years are predicted to be similar to last year's, but slightly slower. A part of the increase in the average resale price will be due to a slight shift to more expensive move-up home purchases. ■

1 For a brief overview of how economic and demographic forces have shifted in favour of more rental construction over the next decade, please read the accompanying article, "Ontario's renter-aged baby bust is over."

Key Provincial Indicators

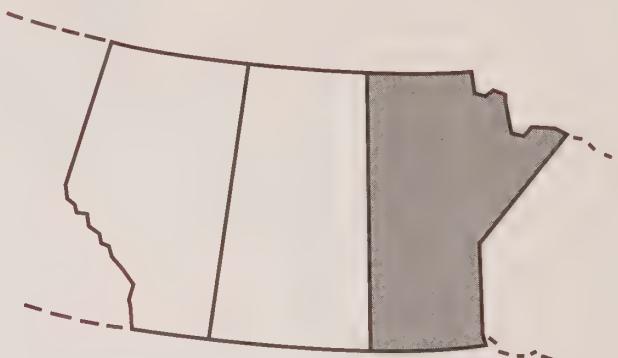
ONTARIO	1997	1998(F)	1999(F)
Real GDP (% Change)	4.3	3.8	3.9
Employment (% Change)	1.9	2.3	2.4
Unemployment Rate (%)	8.5	7.7	7.5
Housing Starts (Units)			
Total	54072	59500	63000
Singles	35401	37500	39000
Multiples	18671	22000	24000
MLS Sales (Units)	141435	144000	147000
Average MLS Price (Dollars)	164301	171000	180000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC

Manitoba

by Terry Kozak



Highlights

- Investment sentiment strong
- Single starts reach 2,300 units in '98
- First-time buyers underpin resale market

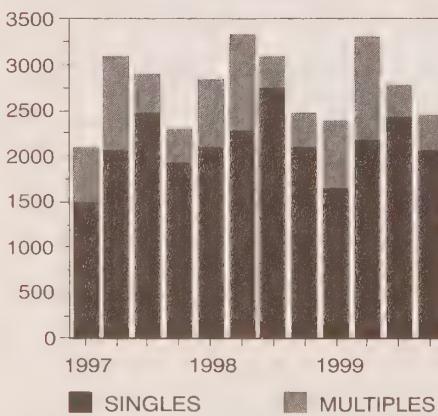
Urban centres carry housing markets in 1997

Single-family construction in Manitoba urban centres finished on an upbeat note, rising over 30 per cent in the final three months of 1997. Provincial urban starts were up by 12.7 per cent overall. This strong performance was in contrast to rural activity, which got off to a rough start with the flood in the first half of the year and fell almost 12 per cent

Housing Starts

MANITOBA

(units, seasonally adjusted at an annual rate)



short of 1996 levels. Meanwhile, despite a fourth quarter drop, multiple construction closed the year up by 34 per cent, at 593 units. Given the strong economic climate, new housing production in rural areas should rise in 1998, complementing what is expected to be another good year for urban centres in the province.

Manitoba's resale markets lost some of their lustre during the fourth quarter, with sales down just over 9 per cent. However, it was no surprise, as the comparative period in 1996 was one of the strongest quarters on record. On the whole, resales finished the year with an increase of 2 per cent. Average resale price increases were kept in check with a sufficient supply of homes on the market. As for the rental market, buoyant first-time home buying resulted in only a slight improvement in rental apartment vacancies in Winnipeg.

sales, a strong indicator of consumer confidence, rose 7.2 per cent in the first ten months of 1997 and are expected to continue on this path throughout 1998. Private investment will rise for a sixth consecutive year, with 1997 figures expected to advance 10.6 per cent. The confidence of investors is underscored by the recent announcement that Maple Leaf plans to build a \$112 million hog processing plant in Brandon in 1998, employing 1,150 people.

Manitoba's manufacturing sector has benefited from strong foreign export growth. In the first nine months of 1997, exports were up 8.1 per cent, two percentage points above the national average. It is expected that manufacturing shipments will reach almost \$10 billion in 1997 — an increase of 58 per cent in just five years. With the aggressive expansion of manufactures into foreign markets, exports to the US have leapt to two and a half times what they were in 1990. Looking ahead to 1998, continuing manufacturing profits from a low Canadian dollar and an expanding US economy will further promote employment growth.

Provincial employment was up 2.3 per cent in 1997, well above the national average of 1.9 per cent. More importantly, private sector employment grew by 4 per cent last year. The increase of 14,700 full-time jobs reflected the strongest growth among the provinces, while part-time jobs declined 2,100 in 1997. Last year's unemployment rate, averaging

1998-99 Outlook

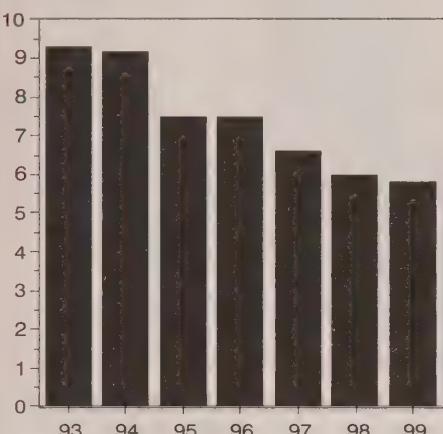
Manitoba's economy fuels job growth

Manitoba's surging economy has enjoyed average real annual growth of 3 per cent over the past three years, and grew faster than the Canadian economy in both 1995 and 1996. The underpinning of this economic performance is broad based, with consumer spending, business investment and exports contributing to the expansion. Retail

Unemployment rate to go down further

MANITOBA

(per cent)



SOURCE: Statistics Canada.
1998-99 forecast by CMHC.

6.6 per cent, was the lowest since 1981. Strong employment prospects will help support new household formation and should reverse interprovincial out migration, which has declined for seven years in a row. Manitoba's solid economic performance will fuel employment growth by 2 per cent in 1998 and reduce the unemployment rate to 6.0 per cent.

Another good year for builders

Continued economic growth and lower unemployment will combine to maintain the improvement in consumer confidence and boost single starts to 2,300 in 1998. Like last year, Winnipeg and Brandon will anchor this improvement. Consumer optimism will result in the releasing of pent-up demand that has accrued through much of this decade. Last year's robust resale growth in the over \$100,000 price range will help boost Winnipeg's singles production to 1,250 units in 1998. In addition, builders will boost their production levels by turning their attention to the once-forgotten entry-level buyer, who is being enticed into the new home market by low mortgage rates.

Multiple unit construction in 1998 will hit the 600 unit mark, mirroring the gains realized last year. Multiple developments have been aimed at the 55+ seniors market, with both condominium and life-lease tenures. The pace of condominium conversion has slowed due to a reduction in suitable conversion stock. This should provide opportunities for astute condominium developers who can bring affordable units to market in suitable locations. The Maple Leaf announcement that 1,150 jobs would be created by mid-1999 could lead to tight rental market conditions in Brandon and provide opportunities for multiple-unit rental construction this year and next.

Upbeat employment prospects teamed with an improving migration scenario will support resale market gains in 1998. Resale activity rose in 1997, with average prices remaining relatively unchanged. An attractive mortgage rate environment has made home ownership more affordable, with First Home Loan Insurance (FHLI) rising by 11 per cent in 1997. Buyer expectations have also risen, and sales of homes to NHA-insured first-time buyers priced over \$90,000 increased by 40 per cent in 1997. This trend will continue, offering home builders the chance to increase their prospects throughout 1998.

Following steady declines in the overall vacancy rate from 1991 to 1995, apartment vacancies in Winnipeg are expected to shrink still further in 1998 as a result of employment growth and reduced out-migration. Any significant turnaround resulting in an increase in vacancies will be mitigated by high affordability levels for first-time homebuyers.

CMHC's October 1997 Rental Market Survey (RMS) found that vacancies in Winnipeg's privately owned apartments declined to 5.9 per cent from 6.0 per cent in October 1996. A further decline to 5.6 per cent is forecast for October 1998. The vacancy rates in Brandon, Portage la Prairie, and Thompson stood at 1.1, 3.5 and 3.8, respectively, during the fall survey. ■

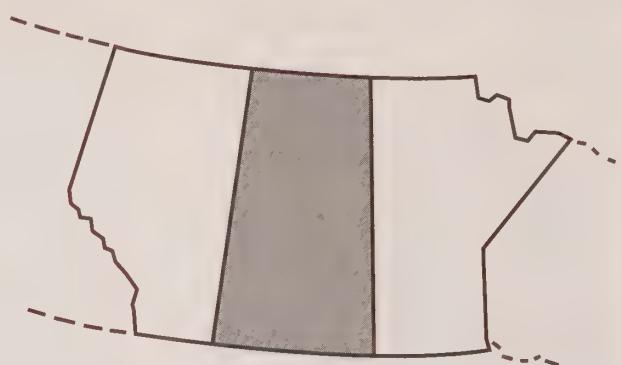
Key Provincial Indicators

MANITOBA	1997	1998(F)	1999(F)
Real GDP (% Change)	3.3	2.9	2.5
Employment (% Change)	2.3	2.0	1.9
Unemployment Rate (%)	6.6	6.0	5.8
Housing Starts (Units)			
Total	2612	2900	2725
Singles	2019	2300	2100
Multiples	593	600	625
MLS Sales (Units)	11180	11500	11000
Average MLS Price (Dollars)	85403	85750	85500

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Saskatchewan

by Paul Caton



Highlights

- Job creation driven by natural resources and manufacturing
- Labour shortages develop, slowing growth
- Housing markets characterized by steady demand, scarcity of listings, rising prices and rents

1997 Saskatchewan housing markets end briskly

Driven by robust economic conditions, Saskatchewan is enjoying some of the most active housing markets seen in nine years. Even the weather cooperated in the final quarter of 1997. Warm early winter temperatures

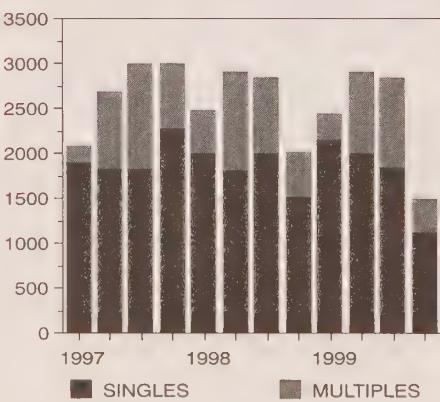
allowed builders to complete orders left from the summer and fall and encouraged new home buyers to visit show homes. December starts in the province's urban centres were almost double those of the same month in 1996. New house prices rose strongly, especially in Regina, where the new house price index was up almost four per cent, one of the largest price increases in the nation.

The CMHC National Rental Market Survey, conducted in October, indicates the province's cities have some of the lowest average vacancy rates in the nation. Only three of the nine centres in the province have rental markets with a surplus of vacant units. Average rents are heading up strongly in response to this demand.

Tenants, faced with rising rents, are considering the alternative of home ownership. However, the inventory of affordable resale housing has dwindled to record lows in most cities and resulted in steadily rising prices. While sales have declined slightly in the province due to this lack of listings, average prices have increased by almost ten per cent. Limited listings are not only restricting sales volumes but providing an incentive for home buyers to look at new housing as an alternative. This in turn is fueling new construction volumes.

Housing Starts SASKATCHEWAN

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

1998-1999 Outlook

Optimistic economic outlook for 1998-99

The strength of Saskatchewan's economy has come mainly from job gains in the natural resource sector, stimulated by soaring demand for and prices of agricultural products, oil and gas, potash, and uranium. Job growth has been strong in manufacturing, construction, transportation, communications, other utilities, finance, insurance, and real estate and services.

The third highest sales on record of Crown petroleum and gas rights were recently announced, while in the first nine months of 1997 crude oil production improved by more than 10 per cent over the same period in 1996. Retail and wholesale trade are also rising. The latest average weekly earnings figures indicate an increase of more than four per cent for 1997.

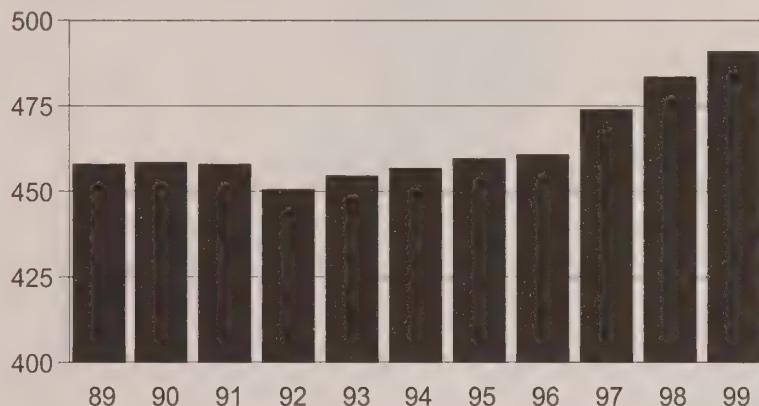
Saskatchewan job expansion is running a close second to Alberta, and unemployment is roughly the same as in that province. Growth has been restricted to some extent by labour shortages in some sectors, especially for skilled tradespeople in manufacturing and construction. This will remain a problem in 1998 and 1999.

The only sore spot stems from world agricultural markets, where prices for some commodities are now calming. World wheat prices are falling due to rising inventories.

Total Employment

SASKATCHEWAN

(thousands)



SOURCE: Statistics Canada..

1998-99 CMHC forecast.

Farmers have switched to oilseed, and livestock is showing gains but expectations are that agricultural output will fall in 1998.

Oil and gas activity is expected to slow somewhat in the short term but the long-term outlook is for rising prices and investment. After a slow 1996, potash production surged ahead in 1997 and 1998 prospects are positive here also. Construction of the McLean Lake uranium mine is ongoing and investment in food processing, oil pipelines and other manufacturing plants will sustain business investment throughout 1998 and 1999.

Upbeat housing markets to continue

In 1998 and 1999, Saskatchewan housing markets will reap the benefits of the past two years of job growth and economic expansion.

The burgeoning Alberta economy will again result in a net migration loss for Saskatchewan, but outflows will be substantially less than those seen in the late eighties and early nineties. Given current positive economic conditions in the home province, Saskatchewan's aging population has neither the incentive nor the mobility that might have existed a decade ago. This is good news for provincial rental markets, the most sensitive to in- and

out-migration. Low vacancy rates and steady demand will mean rising rents, but average rents will remain far below the level required to support new construction.

As renters look to home ownership as an alternative to leasing, they will be faced with a limited selection of existing housing to choose from. Listings are at record lows throughout the province. The selection of good quality, affordable resale property in desirable areas is especially limited in Saskatchewan cities, and average prices are rising rapidly. This is producing seller's market conditions for this type of housing. Listing periods (the average time required to

sell a home) are falling to less than 30 days in Regina and Saskatoon.

New single-family construction will be buoyant in both forecast years. Historically, single-family home construction was aimed at the move-up market. Rising prices and scant inventories of resale homes are creating a new niche market: buyers of moderately priced homes. Builders are catering to this market with narrower lot designs and land development in suburban communities close to the metropolitan centres, where lot prices are lower.

Demand is on the rise among Saskatchewan's aging population for condominium housing. Empty-nesters and seniors are attracted by the low maintenance aspects of condominium living. Though most developments feature luxury and semi-luxury design, moderately priced condominium developments have also been successful. Existing rental apartment units which have been converted to condominiums are in demand.

There is some concern that a lack of skilled tradespeople may restrict home construction. More established builders, enjoying the advantage of long-standing relationships with subtrades, are confident. However, small firms entering the market are experiencing delays completing their projects.■

Key Provincial Indicators

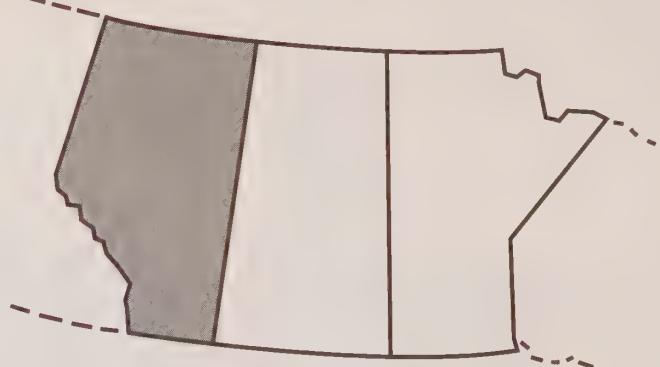
SASKATCHEWAN	1997	1998(F)	1999(F)
Real GDP (% Change)	3.1	2.6	2.8
Employment (% Change)	2.8	2.1	1.4
Unemployment Rate (%)	6.0	5.5	5.2
Housing Starts (Units)			
Total	2757	2585	2445
Singles	1954	1825	1745
Multiples	803	760	700
MLS Sales (Units)	8346	8200	8100
Average MLS Price (Dollars)	83980	88500	93000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Alberta

by Heather Drybrough and Richard Goatcher



Highlights

- Economic outlook remains upbeat
- New construction to move upward in '98, then throttle back
- Resales held back by fewer listings, but house prices set to increase

Housing markets set records in '97

Alberta's housing markets enjoyed a banner year in 1997 thanks to strong in-migration, a rapidly growing economy, and surging consumer confidence. Total housing starts across the province increased by a nation-leading 42 per cent. Both single and multiple family homes enjoyed

brisk sales, higher prices and reduced inventories. In Calgary, for example, single-detached starts hit an all-time high of 8,656 homes. The number of multiple-family units started province-wide during the year increased to 5,501, up 48 per cent from the previous year.

Sales of existing homes posted a new record, breaking the 40,000-unit mark for the first time ever. The higher activity helped boost resale home prices. Average residential prices jumped to a new high in Calgary while prices rebounded in Edmonton after two consecutive years of price declines. Sellers' market conditions prevailed in most centres across the province.

The rental market also benefited from Alberta's economic good fortune last year and, with the continued surge of in-migration, rental vacancies dipped across the province. Calgary reported the lowest vacancy rate of any major city in Canada, at 0.5 per cent, while Edmonton's vacancies dropped substantially. In fact, seven of the 11 Alberta communities surveyed had vacancy rates in October of two per cent or lower.

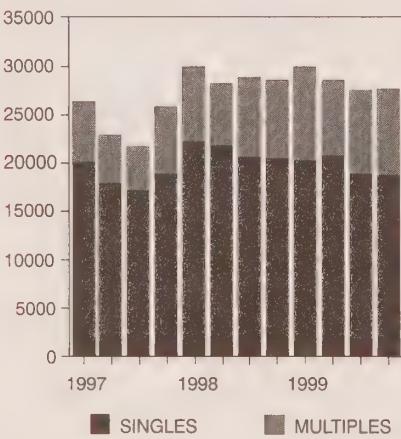
sector, agricultural exports, manufacturing, forestry and chemicals. At first glance, the oil and gas industry appears to be booming, with rigs booked across the province. However, decreased demand from Asia and increased output from OPEC countries have combined with a mild winter to drive down crude oil prices. As well, a glut of heavy oil due to limited upgrader capacity has pushed prices down. An economic slowdown could take hold in the second half of the year if energy prices remain depressed.

In 1998, Alberta will see continued development of the oil sands, major pipeline expansions and increased spending on petrochemical plants. However, capital spending in the drilling sector could falter later in the year if weaker oil prices persist. Overall, non-residential energy-related investment should grow in 1998 but at a much more moderate pace than 1997. Natural gas prices are expected to recover in late 1998 with the arrival of increased pipeline capacity to the United States. On the downside, recent closures of gold mining operations in the Northwest Territories will adversely affect jobs in Northern Alberta. The forestry sector is also expected to suffer from weak commodity prices arising from the soft Asian markets.

Strong employment and income growth, low interest rates, and increased consumer confidence will drive additional spending on big-ticket items. Construction activity is so strong that business and governments are scrambling to train enough workers to deal with the demand. The total

Housing Starts ALBERTA

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

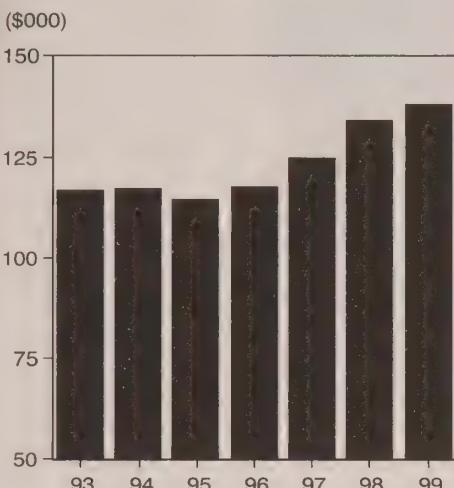
1998-99 Outlook

Economy remains strong in 1998

The outlook for economic growth in Alberta remains upbeat in 1998. Real GDP is forecast to climb by 3.7 per cent, and to slow to around 3.0 per cent in 1999. Much of the current growth in Alberta is coming from the energy

MLS price up as seller's market conditions prevail

ALBERTA



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

value of oil sands projects alone is estimated near \$16.5 billion over the next decade. The scarcity of labour has raised fears about inflation, although some of the demand will be met by in-migrating workers. Meanwhile, the Klein government is on track to record another huge surplus in the current fiscal year. Recent announcements about loosening the purse strings for education, job training, social services and infrastructure means the Alberta economy will not be hobbled by the fiscal drag it experienced earlier in the decade.

Housing demand continues to heat up in '98

Despite worries about falling commodity prices, the strong momentum built up in Alberta's housing markets will be carried forward throughout much of 1998. Total housing starts will climb by 20 per cent to 28,500 units this year. Strong demand associated with increased employment and in-migration as well as the limited

choice of existing houses will lift single-detached production this year to a new high of 21,000 units. Despite low mortgage rates, a combination of labour and material shortages will boost prices and erode affordability. In 1999, residential construction activity will slow only slightly and will remain near historically high levels at 28,000 units.

Multiple-unit activity will experience another big increase this year following an impressive surge in construction in 1997. Demand for both new and resale condominiums has increased substantially in Alberta, as they represent an affordable alternative for first-time buyers and recent arrivals from other provinces. With low apartment vacancies in most communities, demand for new apartments will remain very strong into 1999.

Resale markets in Alberta peaked last year as surging demand ran head-on into rising prices, reduced affordability and fewer listings. A lack of listings will dampen growth in transactions in 1998, with total resales reaching 42,000 units. With seller's market conditions in force throughout the province, average resale prices will surge by 7.4 per cent from \$124,864 in 1997 to \$134,100 this year before advancing another 3 per cent in 1999.

In Calgary, all the fundamentals are in place to see new home construction boosted to another record year: an active resale market combined with job growth, rising incomes, and strong migration. Single starts will reach the 10,000 unit mark, shattering last year's record by 15 per cent. Strong demand for affordable condominiums and a severe shortage of rental units will boost multiple starts to 3,000 units. However, almost all of the new multiples built in Calgary will be condominiums, and rental vacancies will remain extremely scarce.

In Edmonton, total new construction is expected to reach 6,000 units in 1998, following a 37 per cent gain in 1997. New single-unit production of 4,400 units will represent an increase of 19 per cent. Due to the continued strong demand for condominium units, multiple-unit construction in Edmonton will reach 1,600 units this year. Despite some rental apartment construction, vacancies will continue to decline toward the three per cent level citywide.■

Key Provincial Indicators

ALBERTA	1997	1998(F)	1999(F)
Real GDP (% Change)	4.6	3.7	3.0
Employment (% Change)	3.1	3.0	2.3
Unemployment Rate (%)	6.0	5.5	5.4
Housing Starts (Units)			
Total	23671	28500	28000
Singles	18170	21000	19500
Multiples	5501	7500	8500
MLS Sales (Units)	43693	42000	37800
Average MLS Price (Dollars)	124864	134100	138100

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

British Columbia

by Peggy Prill



Highlights

- Slower economy puts brakes on housing market
- Home prices edge down as demand weakens
- Fewer people moving to B.C. means lower new home starts
- Improving affordability keeps housing markets from sliding further

Fourth quarter 1997 housing markets — a turning point

Disappointing economic growth dampened British Columbia's housing markets in the second half of 1997. Fourth quarter MLS sales, which slipped 25 per cent from 1996's strong performance, might have dipped even further except that favourable mortgage rates kept first-time buyers active. Last year's thirty-year-low mortgage rates combined with modest house price gains to make home buying affordable.

After peaking in February, average residential resale prices went into a gradual slide, although they rallied somewhat during the summer. Despite this slipping, the annual average price came in slightly ahead of 1996 levels, and posted the first gain in three years.

Construction inventories levelled off in the past few months, following a tightening trend which began in 1995. New home sales held steady through

year end. However, homes begun in the second quarter 1997 housing start surge are now being completed, and newly completed homes will outpace sales this winter.

Housing starts posted a moderate performance in the fourth quarter, boosted by a jump in multiple projects. Single-family house construction, on the other hand, was disappointing. With shorter lead times to new construction than multiples, this market is quicker to react to changing economic conditions and anticipated slower sales. Demand for new homes is being eroded by weaker net migration, largely as a result of lower employment prospects in B.C. than in other provinces.

The New House Price Index continued on its three-year slide this fall after plateauing in summer 1997. Slipping land values were mainly to blame, as slower single-family house building weakened demand for new building sites. New house prices are expected to edge down a bit further before beginning a slow recovery in mid 1998.

1998-1999 Outlook

Economic recovery stalls

The recovery that began in late 1996 faltered in 1997 and is forecast to sputter out altogether in 1998. By third quarter 1999, the economy should show renewed energy as resource-based industry restructuring nears

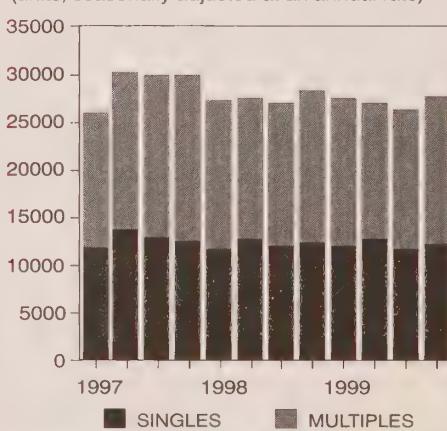
completion and more high tech industries gain their footings.

B.C. will feel the effects of the Southeast Asia financial crisis through lower exports this year, particularly in the lumber and coal industries but also in pulp, paper and metals. As well, slower economic growth expected in the U.S. during 1998 will inhibit export markets, dampening the positive impact of favourable exchange rates. Despite these setbacks, economic growth will remain positive in both 1998 and 1999.

Consumer confidence is plummeting. The Conference Board's Index of Consumer Confidence took a dive in late 1997 following three consecutive survey increases. The downtrend is expected to continue through mid 1998 as consumers cope with low employment growth and disappointing financial market performance.

Housing Starts BRITISH COLUMBIA

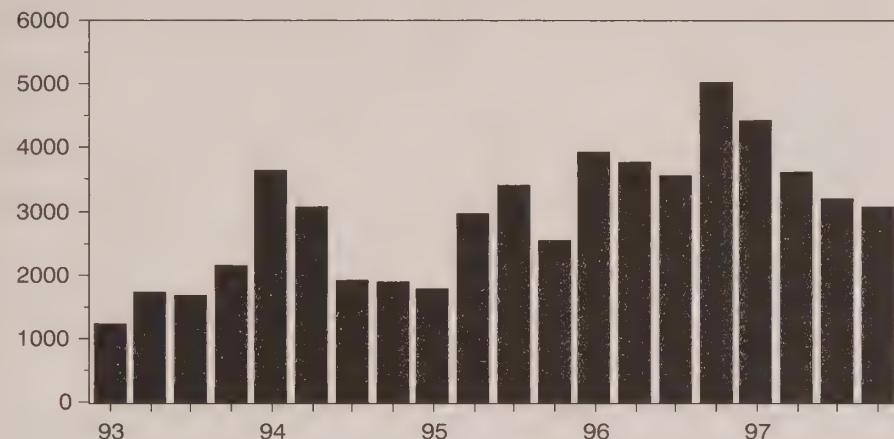
(units, seasonally adjusted at an annual rate)



First-time buyer activity declining

BRITISH COLUMBIA

(First Home Loan Insurance Approvals)



SOURCE: CMHC.

Mixed performance in B.C. economy

Low interest rates and modest employment growth pushed 1997 retail sales 5 per cent ahead of 1996 in the first nine months of the year. Sales are expected to level off in 1998 as consumer confidence wanes.

Recent manufacturing shipment figures show mixed results. Machinery shipments were the bright spot, with a 16.5 per cent increase, but pulp and paper exports fell 11.5 per cent. Favourable exchange rates are expected to spur exports to the U.S. and Europe, but Southeast Asia's currency woes will dampen trade with many of B.C.'s Pacific Rim partners in 1998.

Tourism remains the strong performer. More domestic and U.S. visitors are expected this year, while fewer people will travel from Asia. Overall, tourism will outperform growth in other sectors of the B.C. economy as it has for the past five years. However, tourism's contribution to provincial GDP is modest, at one-twentieth of the total, according to B.C. Stats.

Employment growth was slower in 1997, largely because of job losses in public administration and manufacturing. Employment was also down in finance, insurance and real estate. More job losses are anticipated

in these sectors in the first half of 1998, as well as in mining, forestry and construction. Employment growth was strongest last year in mining, followed by the trade and service sectors. The next nine months will see slower job creation, but employment is expected to begin inching upward by the end of 1998.

Fewer people moving to B.C.

As people move to other provinces in search of better job opportunities, net interprovincial migration has slowed considerably from the first half of this decade. B.C. will experience a net outflow of migrants to both Alberta and Saskatchewan this year, but as job prospects improve in the province by early 1999, interprovincial migration should pick up.

B.C.'s share of international migration is expected to edge down in 1998 and 1999 as fewer new Canadians arrive from Southeast Asian countries. Prospective immigrants from these countries may put their plans on hold because of the financial crisis until they can cash out of investments in devalued markets.

Home sales lose ground

MLS sales will dip in 1998, continuing the downturn which began in mid 1997. Lower net migration and

faltering consumer confidence are keeping home sales from matching the gains experienced in the first half of 1997. The slight rise in mortgage rates late last year immediately dampened first-time buyer activity, even though the affordability picture is still much rosier than it was earlier this decade.

Sales declines will be greatest in markets with poor job prospects such as north-central and southeast B.C. and Vancouver Island. Vancouver's resale market will edge down as fewer first-time buyers brave the market. Markets will continue strong this year in some small local economies in northeast B.C. with a sunnier employment outlook.

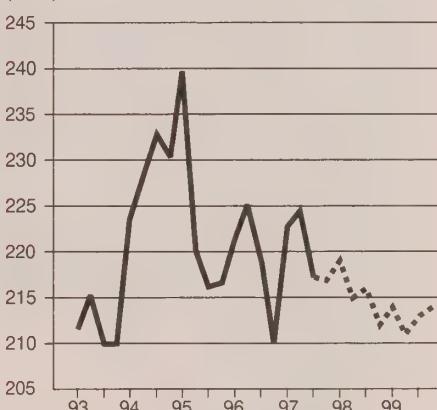
Slower sales and rising inventories will favour buyers in most 1998 resale markets. Next year, modest sales increases will push a handful of markets toward balance.

Average home prices have been generally weak since early 1995 as sales never recovered enough to drive prices higher. They are forecast to continue to edge down through mid 1999.

Average MLS house price edges down

BRITISH COLUMBIA

(\$000)



SOURCE: Canadian Real Estate Association
1998-99 forecast by CMHC.

Home building begins downturn

Housing starts are forecast to weaken in 1998. Home building was 6 per cent higher last year than in 1996, but most of the improvement occurred in the first half of the year. The downturn is expected to continue through mid 1999. Total B.C. housing starts are expected to slip by 6 per cent this year and by close to a further 2 per cent in 1999. Waning consumer confidence, lacklustre economic growth and fewer people moving to the province will keep new home markets in check.

Condominium construction will be affected more than the new single-family market. Condo starts are expected to dip to an eight-year low in 1999. Many new projects for which planning is well under way will proceed this year, but developers will put the brakes on others until economic growth is more robust.

Key Provincial Indicators

BRITISH COLUMBIA	1997	1998(F)	1999(F)
Real GDP (% Change)	1.7	1.3	1.5
Employment (% Change)	1.8	1.5	1.9
Unemployment Rate (%)	8.7	8.8	8.9
Housing Starts (Units)			
Total	29351	27600	27100
Singles	12911	12300	12200
Multiples	16440	15300	14900
MLS Sales (Units)	68182	64600	66000
Average MLS Price (Dollars)	220511	216000	213000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

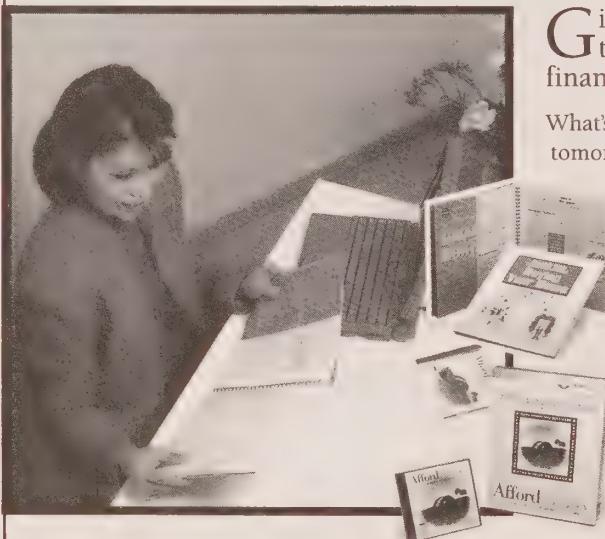
(F) Forecast by CMHC.

The new single-family downturn will be less dramatic. Smaller markets with resource-based economies will be hit harder than most larger centres. On the plus side, new single-family home building may trend up in markets which have recently experienced an easing of land constraints. For

example, demand will be strong for homes built on new serviced lots now available in the Western Communities area of Victoria. Affordable single-family houses in small lot subdivisions will continue to be popular in Lower Mainland markets. ■

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Housing Starts

Total (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	2405	2243	1712	2034	1696	1725	1850
%	5.9	-6.7	-23.7	18.8	-16.6	1.7	7.2
PEI	645	669	422	554	470	470	525
%	0.2	3.7	-36.9	31.3	-15.2	0.0	11.7
NS	4282	4748	4168	4059	3813	3850	4280
%	-8.4	10.9	-12.2	-2.6	-6.1	1.0	11.2
NB	3693	3203	2300	2722	2702	2800	3050
%	11.6	-13.3	-28.2	18.3	-0.7	3.6	8.9
QUE	34015	34154	21885	23220	25896	28000	27700
%	-11.0	0.4	-35.9	6.1	11.5	8.1	-1.1
ONT	45140	46645	35818	43062	54072	59500	63000
%	-19.1	3.3	-23.2	20.2	25.6	10.0	5.9
MAN	2425	3197	1963	2318	2612	2900	2725
%	5.0	31.8	-38.6	18.1	12.7	11.0	-6.0
SASK	1880	2098	1702	2438	2757	2585	2445
%	0.6	11.6	-18.9	43.2	13.1	-6.2	-5.4
ALTA	18151	17692	13906	16665	23671	28500	28000
%	-2.3	-2.5	-21.4	19.8	42.0	20.4	-1.8
BC	42807	39408	27057	27641	29351	27600	27100
%	5.4	-7.9	-31.3	2.2	6.2	-6.0	-1.8
CAN	155443	154057	110933	124713	147040	*157900	*160700
%	-7.6	-0.9	-28.0	12.4	17.9	7.4	1.8

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1559	1455	1165	1395	1220	1250	1350
%	-3.2	-6.7	-19.9	19.7	-12.5	2.5	8.0
PEI	460	454	364	430	374	380	425
%	9.3	-1.3	-19.8	18.1	-13.0	1.6	11.8
NS	3126	3358	3040	3278	2939	2975	3230
%	-3.3	7.4	-9.5	7.8	-10.3	1.2	8.6
NB	2535	2547	1722	2173	2125	2350	2500
%	6.0	0.5	-32.4	26.2	-2.2	10.6	6.4
QUE	17136	18414	13428	14818	16073	17300	17100
%	-7.7	7.5	-27.1	10.4	8.5	7.6	-1.2
ONT	26240	30036	20124	27019	35401	37500	39000
%	-5.8	14.5	-33.0	34.3	31.0	5.9	4.0
MAN	1874	2441	1564	1875	2019	2300	2100
%	11.3	30.3	-35.9	19.9	7.7	13.9	-8.7
SASK	1342	1542	1341	1612	1954	1825	1745
%	-9.6	14.9	-13.0	20.2	21.2	-6.6	-4.4
ALTA	13040	12671	10096	12949	18170	21000	19500
%	-7.7	-2.8	-20.3	28.3	40.3	15.6	-7.1
BC	17787	16591	11581	12447	12911	12300	12200
%	-17.2	-6.7	-30.2	7.5	3.7	-4.7	-0.8
CAN	85099	89509	64425	77996	93186	*99200	*99200
%	-8.3	5.2	-28.0	21.1	19.5	6.5	0.0

Multiples (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	846	788	547	639	476	475	500
%	28.2	-6.9	-30.6	16.8	-25.5	-0.2	5.3
PEI	185	215	58	124	96	90	100
%	-17.0	16.2	-73.0	113.8	-22.6	-6.3	11.1
NS	1156	1390	1128	781	874	875	1050
%	-19.8	20.2	-18.8	-30.8	11.9	0.1	20.0
NB	1158	656	578	549	577	450	550
%	26.0	-43.4	-11.9	-5.0	5.1	-22.0	22.2
QUE	16879	15740	8457	8402	9823	10700	10600
%	-14.2	-6.7	-46.3	-0.7	16.9	8.9	-0.9
ONT	18900	16609	15694	16043	18671	22000	24000
%	-32.3	-12.1	-5.5	2.2	16.4	17.8	9.1
MAN	551	756	399	443	593	600	625
%	-12.1	37.2	-47.2	11.0	33.9	1.2	4.2
SASK	538	556	361	826	803	760	700
%	39.7	3.3	-35.1	128.8	-2.8	-5.4	-7.9
ALTA	5111	5021	3810	3716	5501	7500	8500
%	14.9	-1.8	-24.1	-2.5	48.0	36.3	13.3
BC	25020	22817	15476	15194	16440	15300	14900
%	30.7	-8.8	-32.2	-1.8	8.2	-6.9	-2.6
CAN	70344	64548	46508	46717	53854	*58800	*61500
%	-6.7	-8.2	-27.9	0.4	15.3	9.2	4.6

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

		Centres 10,000 Population and Over					Other Areas	All Areas Total
		Rental/Co-op Private	Rental/Co-op Assisted	Total Rental	Condo	Other*		
NFLD								
	1997	44	0	44	12	408	464	12 476
	1998	60	0	60	52	343	455	20 475
	1999	40	0	40	32	378	450	50 500
PEI								
	1997	62	0	62	0	0	62	34 96
	1998	70	0	70	0	0	70	20 90
	1999	76	0	76	0	0	76	24 100
NS								
	1997	503	0	503	0	294	797	77 874
	1998	425	0	425	0	325	750	125 875
	1999	525	0	525	0	425	950	100 1050
NB								
	1997	382	0	382	5	151	538	39 577
	1998	226	0	226	24	150	400	50 450
	1999	280	0	280	30	190	500	50 550
QUE								
	1997	2879	0	2879	2821	3622	9322	501 9823
	1998	2500	0	2500	2500	4900	9900	800 10700
	1999	2800	0	2800	2900	4300	10000	600 10600
ONT								
	1997	773	0	773	8138	9512	18423	248 18671
	1998	1475	25	1500	9500	10300	21300	700 22000
	1999	1900	0	1900	10100	11000	23000	1000 24000
MAN								
	1997	183	0	183	192	0	375	218 593
	1998	200	0	200	200	0	400	200 600
	1999	200	0	200	225	0	425	200 625
SASK								
	1997	13	0	13	671	46	730	73 803
	1998	20	0	20	670	20	710	50 760
	1999	20	0	20	630	10	660	40 700
ALTA								
	1997	365	0	365	3424	762	4551	950 5501
	1998	700	0	700	4700	900	6300	1200 7500
	1999	1000	0	1000	5000	1100	7100	1400 8500
BC								
	1997	1392	171	1563	12843	1002	15408	1032 16440
	1998	1350	200	1550	12100	930	14580	720 15300
	1999	1260	200	1460	11840	890	14190	710 14900
CAN								
	1997	6596	171	6767	28907	15797	50670	3184 53854
	1998	7026	225	7251	32146	17868	54865	3885 **58800
	1999	8101	200	8301	32157	18293	57351	4174 **61500

SOURCE: CMHC.

1997 Actual, 1998-99 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

Housing Starts

Total New House Price Index* (annual per cent change)

	1993	1994	1995	1996	1997	1998 ^(F)	1999 ^(F)
ST. JOHN'S	0.1	0.4	0.1	-1.1	-2.0	0.0	0.4
HALIFAX	3.0	2.8	2.9	0.8	-2.4	0.0	0.0
SAINT JOHN	-0.1	0.1	-0.1	-1.0	-3.3	1.5	2.0
QUEBEC CITY	-0.3	-0.5	0.8	-1.4	-0.4	2.0	2.0
MONTRÉAL	0.8	0.6	0.8	-0.2	-0.0	0.5	1.0
OTTAWA	-0.6	0.2	-1.8	-1.5	0.6	2.5	1.1
TORONTO	-2.4	-0.2	0.7	-1.3	2.2	3.7	5.3
HAMILTON	-2.6	-0.3	-1.1	-0.8	3.9	4.2	5.2
ST. CATHARINES	-3.2	-4.0	-0.8	1.0	3.9	2.7	2.5
KITCHENER	0.8	-2.6	-0.7	-0.2	0.9	1.8	0.9
LONDON	-0.1	0.2	-2.7	-1.1	1.0	2.1	1.5
WINDSOR	-0.5	0.1	1.1	0.4	3.7	2.0	1.6
SUDBURY-							
THUNDER BAY	1.9	1.4	0.2	-0.3	-0.6	-1.8	0.7
WINNIPEG	3.5	3.4	1.5	0.9	1.4	1.8	1.8
REGINA	5.5	3.9	3.1	1.6	3.6	3.4	2.1
SASKATOON	3.4	1.5	0.9	1.8	2.0	1.6	1.7
CALGARY	3.1	2.4	0.8	1.0	6.7	7.0	3.0
EDMONTON	3.5	0.9	-1.3	-0.8	1.8	5.0	2.5
VANCOUVER	7.7	-0.6	-5.2	-6.1	-3.2	0.7	1.4
VICTORIA	3.0	-0.9	-8.6	-7.1	-3.0	0.5	1.2
CANADA	1.2	0.1	-1.2	-2.0	0.8	2.7	2.8

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

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MLS Activity

Total Residential Sales (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1867	1873	1655	2005	2170	2200	2250
%	2.1	0.3	-11.6	21.1	8.2	1.4	2.3
PEI	654	599	476	750	806	750	700
%	8.3	-8.4	-20.5	57.6	7.5	-6.9	-6.7
NS	7180	7140	7019	8332	7567	7800	8275
%	3.2	-0.6	-1.7	18.7	-9.2	3.1	6.1
NB	3483	3339	3496	4023	3941	4125	4400
%	-1.9	-4.1	4.7	15.1	-2.0	4.7	6.7
QUE	31875	33575	29824	39213	43405	41000	39000
%	-0.2	5.3	-11.2	31.5	10.7	-5.5	-4.9
ONT	107575	116005	105789	138859	141435	144000	147000
%	-6.7	7.8	-8.8	31.3	1.9	1.8	2.1
MAN	10546	10825	9749	10965	11180	11500	11000
%	-7.4	2.6	-9.9	12.5	2.0	2.9	-4.3
SASK	7375	7459	7349	8689	8346	8200	8100
%	-5.8	1.1	-1.5	18.2	-3.9	-1.7	-1.2
ALTA	37024	32512	29098	37485	43693	42000	37800
%	-3.9	-12.2	-10.5	28.8	16.6	-3.9	-10.0
BC	80919	75270	58082	72182	68182	64600	66000
%	-13.5	-7.0	-22.8	24.3	-5.5	-5.3	2.2
CAN**	288498	288597	252537	322503	330725	*326200	*324500
%	-7.4	0.0	-12.5	27.7	2.5	-1.4	-0.5

Average Residential Price (dollars and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	91243	91697	89525	93666	92212	92500	93000
%	-1.0	0.5	-2.4	4.6	-1.6	0.3	0.5
PEI	72422	78753	73807	83962	86352	85000	87500
%	-4.2	8.7	-6.3	13.8	2.8	-1.6	2.9
NS	88965	91109	89788	93843	96696	98000	101000
%	1.5	2.4	-1.4	4.5	3.0	1.3	3.1
NB	84951	84149	83994	84206	87211	88700	90500
%	3.0	-0.9	-0.2	0.3	3.6	1.7	2.0
QUE	102447	102242	98837	98586	101751	105000	107000
%	0.1	-0.2	-3.3	0.3	3.2	3.2	1.9
ONT	156403	160033	154537	155584	164301	171000	180000
%	-3.1	2.3	-3.4	0.7	5.6	4.1	5.3
MAN	81748	83761	81897	85316	85403	85750	85500
%	1.3	2.5	-2.2	4.2	0.1	0.4	-0.3
SASK	70698	72738	73796	77476	83980	88500	93000
%	3.4	2.9	1.5	5.0	8.4	5.4	5.1
ALTA	117085	117336	114772	117672	124864	134100	138100
%	3.1	0.2	-2.2	2.5	6.1	7.4	3.0
BC	211992	229514	221860	218687	220511	216000	213000
%	11.6	8.3	-3.3	-1.4	0.8	-2.0	-1.4
CAN**	152914	158309	150353	150840	154648	*158300	*163700
%	2.2	3.5	-5.0	0.3	2.5	2.3	3.4

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1994	1995	1996	1997	1998(F)	1999(F)
CALGARY	47110	5.1	3.6	1.5	0.5	0.3	0.5
CHICOUTIMI- JONQUIÈRE	8184	6.3	6.0	5.4	4.1	4.0	3.8
EDMONTON	64255	8.9	10.2	7.6	4.6	3.0	2.0
HALIFAX	32946	7.2	7.7	8.7	7.7	7.2	6.8
HAMILTON	42930	2.4	2.0	2.2	3.1	2.8	2.5
KITCHENER	25860	2.8	2.2	1.8	1.9	1.8	2.0
LONDON	38781	4.1	4.3	6.0	5.1	4.4	3.8
MONTRÉAL	453613	6.8	6.2	5.7	5.9	5.6	5.2
OSHAWA	11128	3.4	2.7	3.7	2.4	1.5	1.0
OTTAWA	61036	2.6	3.8	4.9	4.2	3.4	2.8
HULL	18286	6.6	8.3	7.7	9.4	9.0	9.0
QUEBEC CITY	72850	6.9	6.0	6.5	6.6	6.3	6.0
REGINA	11960	3.2	2.1	1.9	1.5	1.9	2.0
ST. CATHARINES- NIAGARA	16570	5.8	5.2	5.6	5.4	5.1	4.5
SAINT JOHN	7563	8.0	8.6	9.1	8.2	7.8	7.2
ST. JOHN'S	4695	7.1	10.8	15.4	16.6	14.0	12.0
SASKATOON	17171	1.8	1.0	0.7	0.9	2.0	2.3
SHERBROOKE	23695	8.0	6.2	6.6	7.5	7.0	6.6
SUDBURY	10876	4.3	6.0	6.8	7.2	6.5	6.0
THUNDER BAY	5290	4.1	6.2	5.6	7.7	7.5	7.1
TORONTO	301902	1.2	0.8	1.2	0.8	0.7	0.5
TROIS-RIVIÈRES	16204	7.4	7.2	8.0	8.6	8.4	8.3
VANCOUVER	106816	0.8	1.2	1.1	1.7	2.0	1.8
VICTORIA	24306	1.9	3.3	4.1	3.5	3.2	2.9
WINDSOR	14900	1.6	1.8	2.8	4.5	3.6	3.1
WINNIPEG	54305	5.6	5.4	6.0	5.9	5.6	5.4
CANADA**	1493232	4.6	4.3	4.3	4.1	3.8	3.5

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1997.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	-0.5	1.0	1.0	-3.6	1.1	1.6	2.1
PEI	0.0	3.7	5.4	1.7	1.7	0.0	1.6
NS	-0.8	3.3	1.1	0.3	1.8	1.5	1.0
NB	1.0	0.7	2.3	-0.3	1.0	2.1	2.0
QUE	0.4	2.5	1.5	0.3	1.5	1.2	0.9
ONT	1.8	1.4	1.4	1.5	1.9	2.3	2.4
MAN	2.2	0.4	2.0	1.0	2.3	2.0	1.9
SASK	1.1	0.4	0.7	0.2	2.8	2.1	1.4
ALTA	0.9	3.2	2.7	2.9	3.1	3.0	2.3
BC	2.9	4.0	1.7	2.5	1.8	1.5	1.9
CAN	1.4	2.1	1.6	1.3	1.9	1.9	1.9

Unemployment Rate (per cent)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	20.1	20.4	18.3	19.4	18.8	18.1	17.1
PEI	18.1	17.2	14.7	14.5	14.9	15.2	13.6
NS	14.6	13.3	12.1	12.6	12.2	11.4	11.1
NB	12.5	12.5	11.5	11.7	12.8	12.7	12.5
QUE	13.2	12.2	11.3	11.8	11.4	11.1	10.8
ONT	10.6	9.6	8.7	9.1	8.5	7.7	7.5
MAN	9.3	9.2	7.5	7.5	6.6	6.0	5.8
SASK	8.0	7.0	6.9	6.6	6.0	5.5	5.2
ALTA	9.7	8.6	7.8	7.0	6.0	5.5	5.4
BC	9.7	9.4	9.0	8.9	8.7	8.8	8.9
CAN	11.2	10.4	9.5	9.7	9.2	8.7	8.4

SOURCE: Statistics Canada.
(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

	1993	1994	1995	1996	1997 ^(E)	1998 ^(F)	1999 ^(F)
NFLD	-4210	-6873	-6893	-8477	-10000	-7500	-6000
PEI	694	827	549	482	135	315	390
NS	1200	-84	1252	2580	2310	2700	1825
NB	-377	-607	-840	-1236	-900	-600	-200
QUE	24942	13730	17457	7626	5100	11000	15000
ONT	69459	89825	91630	79907	99500	101000	10400
MAN	-1909	-1353	-1218	187	250	850	950
SASK	-2902	-2457	-1612	103	-630	-930	-430
ALTA	8772	9457	15618	23469	38000	35200	30000
BC	75533	79803	68669	66498	52500	42000	44000
CAN**	171202	182268	184612	171139	186265	184035	189535

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates (levels and quarterly percentage change)

	96:Q2	96:Q3	96:Q4	97:Q1	97:Q2	97:Q3	97:Q4
New housing							
Building permits, units, thousands	125.8	133.0	146.6	163.2	152.1	161.0	151.7
%	-4.1	5.7	10.3	11.3	-6.8	5.9	5.9
Housing starts, total, thousands	124.4	127.8	131.8	151.6	145.0	148.3	148.2
%	13.9	2.7	3.1	15.0	-4.4	2.3	-0.1
Housing starts, singles, thousands	79.3	79.1	81.6	100.2	91.1	93.8	92.1
%	19.6	-0.3	3.2	22.8	-9.1	3.0	-1.8
Housing starts, multiples, thousands	45.1	48.7	50.2	51.4	53.9	54.5	56.1
%	5.1	8.0	3.1	2.4	4.9	1.1	2.9
Housing completions, total, thousands	110.5	120.2	123.5	134.5	150.2	139.0	148.8
%	-3.8	8.8	2.7	8.9	11.7	-7.4	7.0
New house price index, 1986=100	131.6	131.4	131.7	132.4	132.8	132.9	133.3
%	-0.9	-0.1	0.2	0.6	0.3	0.0	0.3
Existing housing							
MLS resales, units, thousands	300.2	307.1	387.7	358.0	328.6	323.7	316.6
%	3.6	2.3	26.3	-7.7	-8.2	-1.5	-2.2
MLS average resale price, \$C thousands	152.7	152.4	150.9	152.5	157.3	155.5	154.4
%	3.1	-0.2	-1.0	1.0	3.2	-1.1	-0.7
Mortgage market							
Mortgages outstanding, \$C billions	348.5	351.6	355.7	360.9	364.6	367.8	..
%	1.3	0.9	1.2	1.4	1.0	0.9	..
Mortgage approvals, \$C billions	62.4	70.2	88.7	86.2	74.4	73.1	..
%	-2.1	12.5	26.3	-2.9	-13.7	-1.7	..
1-year mortgage rate, per cent*	6.50	6.25	5.25	5.15	5.38	5.65	5.98
5-year mortgage rate, per cent*	8.50	8.13	7.03	7.18	7.33	6.95	6.82
Residential investment**							
Total, \$1992 billions	37.2	39.1	41.1	42.2	43.2	43.0	..
%	6.6	5.1	5.3	2.7	2.5	-0.6	..
New, \$1992 billions	18.1	19.4	19.7	21.1	22.1	21.9	..
%	7.1	7.3	1.4	7.1	4.5	-0.5	..
Alterations, \$1992 billions	12.2	12.5	12.7	13.0	13.5	13.6	..
%	9.1	3.2	1.1	2.7	3.5	0.6	..
Transfer costs, \$1992 billions	6.9	7.1	8.7	8.1	7.7	7.5	..
%	1.0	2.8	22.3	-7.1	-4.6	-2.8	..
Deflator, 1992 =100	105.6	105.8	106.0	106.7	107.2	107.0	..
%	0.5	0.2	0.2	0.6	0.4	-0.2	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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SECOND QUARTER, 1998**

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Cette publication est aussi disponible en français sous le titre *Perspectives nationales du marché de l'habitation* — N° de catalogue : NHOSF.

Housing starts inched up in the first quarter

The pace of new home construction headed up in the first quarter of 1998 despite a crippling January ice storm in eastern Canada. Both single-detached and multiple housing starts lifted the first quarter pace to 151,000, at a seasonally adjusted annual rate (SAAR). Starts of multiple units rose 3.5 per cent over the previous quarter and single-detached units inched up 0.4 per cent.

Moderate gains in housing starts and easing of resale transactions

*Housing Starts and Residential MLS**

Sales – Canada (thousands of units, SAAR)



SOURCES: CMHC; Canadian Real Estate Association.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Favourable economic and housing market conditions helped the pace of new home building. The single-detached segment benefited from affordable house prices, low mortgage rates and tight unoccupied inventory. The multiples segment gained even more from these same factors as demand for moderately priced semi-detached and row units, and for apartment condos, moved into higher gear.

Sales on the existing homes market slid

The resale market continued to ease in the first quarter of this year, returning to a more sustainable pace. The slowdown reflected a shortage of listings and rising short-term mortgage rates. The first quarter pace of 290,000 transactions is 7.3 per cent below the fourth quarter 1997 figure. Average MLS prices fell 0.5 per cent over the same period.

Lower prices on the resale market contrasted with firmer prices in the new home market. New home prices increased by 0.3 per cent in the first three months of 1998 compared to the last quarter of 1997, according to the New House Price Index.

end of April, are expected to decline to 6.00-6.25 per cent in the second half of 1998. The three-year rate is forecast to be in the 6.50-6.75 per cent range for most of this year. The five-year rate will remain in the 6.75-7.00 per cent range in 1998.

Moderate pick-up in home building this year

Home building activity is expected to rise by 6.3 per cent in 1998 and 3.4 per cent in 1999, at a much more moderate pace than in the last two years. Total starts will reach 156,300 units this year and 161,600 next year with gains seen in both the single-detached and multiples markets. While recent increases in mortgage rates will dampen activity, greater job creation and improved consumer confidence will feed into higher construction levels later this year. Full-time job creation will outpace part-time by a wide margin and support formation of new households as well as demand for new homes.

1998-99 Outlook

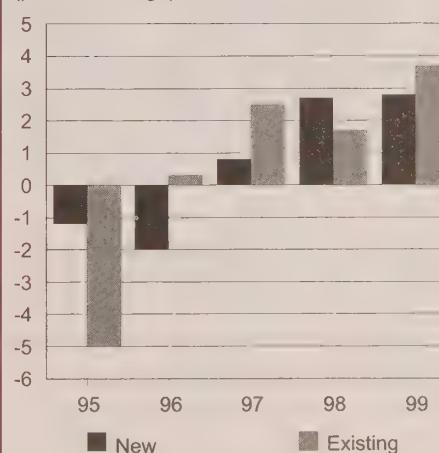
Economic signals remain positive for housing

A number of signals in the economy favour housing market prospects through next year. These include strong business investment, greater consumer spending and high export levels. Although cutbacks in the public sector will remain a source of drag, economic growth near the 3 per cent mark in both 1998 and 1999 will still create some 300,000 new jobs this year and next.

Canadian interest rates are likely to follow future U.S. interest rate changes given the high likelihood of steady growth in economic output at home combined with a weak Canadian dollar. Rates are expected to edge up further in 1998, but to remain low. A fall-off in U.S. rates to compensate for reduced economic activity will be matched in Canada in 1999. Accordingly, one-year mortgage rates, 6.55 per cent at the

Higher house prices will encourage home building

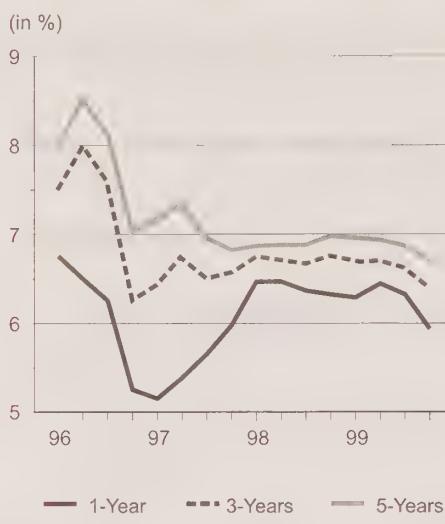
(per cent change)



SOURCE: Statistics Canada, Canadian Real Estate Association.

1998-99 CMHC Forecast.

Mortgage rates will remain favorable to housing markets



SOURCE: Bank of Canada; 1998-99 CMHC forecast

Several housing market conditions will encourage starts. First is the house pricing environment. In general, new home price gains will exceed the rate of inflation, particularly in Ontario and the Prairie region. This, combined with moderate growth in construction costs, will help builder margins and lead to more house production. Second, inventory levels of newly completed and unoccupied units remain near decade lows and any increase in demand will have to be satisfied via higher start levels.

Resales will slow due to more limited listings

The total number of transactions on the existing homes market will be lower than in the record-setting 1997, reaching 314,000 in 1998 and 309,100 in 1999. Homes will be less affordable, with higher mortgage rates and house prices. Price gains will also shift housing demand toward the new home market at the expense of the existing market. Nevertheless, the resale market will benefit from expansion of CMHC's mortgage insurance programs to

allow repeat buyers to purchase homes with a five per cent down payment.

Steady demand combined with a reduction in the supply of listings will lead to an increase in average resale house prices this year. Although supply and demand in the existing home market will be closer to balance, there will be seller's markets in some urban centers. In 1998, the average price for MLS transactions is forecast to outpace inflation in Alberta, Saskatchewan, Ontario, and Quebec. In B.C., continuing market correction and a shift in market activity toward less expensive units will pull the average price down by 1 per cent. Price gains will be more widespread in 1999, with the average price increasing close to 4 per cent. Some of the growth in average resale prices will be the result of modest shifts to more expensive move-up home purchases. This shift to more expensive existing homes next year will be driven by rising average income levels.

nudges vacancy rates down. The rental market will remain sluggish, however, as many renters move to cost-competitive ownership homes. Condominium and townhome activity will rise accordingly.

Prospects brighten in Ontario and Alberta, taper off in B.C.

Regionally, Alberta is forecast to enjoy the most significant gain in new construction this year, bolstered by the strength of its resource and manufacturing economy. Ontario will also enjoy a large increase in residential construction, as inventories of unoccupied units remain low and momentum picks up in its economy. Construction will taper off in British Columbia in response to the continuing high supply of unoccupied multiple units. In the Quebec market, activity is expected to improve, but slow demand will keep starts below the 30,000 mark. ■

Multiples starts will outpace single-detached

The market for single-detached homes is expected to grow in 1998 and 1999. To a large extent, the increase will reflect spillover from the limited supply on the existing homes market. Low mortgage carrying costs and lean inventories will further reinforce single-detached construction. Single starts are forecast to rise 4.2 per cent to 97,100 units this year, with a further advance to 99,500 units in 1999.

Multiple starts will increase by 10 per cent in 1998 and by another 5 per cent in 1999, although construction will still remain below the 1994 level. Multiple-family home construction will move up as more job creation encourages formation of new households and

The Macroeconomic Impact of the Building Materials Industry in Canada

Recent studies have disclosed major changes in building materials manufacturing, an industry that contributes significantly to housing quality and employment levels in Canada. One such study, "Macroeconomic Impacts of the Housing Sector", jointly commissioned by CMHC and Canadian Home Builders Association, was recently completed by Informetrica Limited. It considers the building materials industry's overall contribution to the Canadian economy and estimates the industry's effects on employment, income and tax revenue.

This study concludes that the building materials industry produced goods and services with a value added of \$23.6 billion, about 3.5 per cent of Canada's GDP in 1995, and was responsible for 427,000 jobs.

The industry's products and services were sold at home and abroad. Exports captured about

45 per cent of the industry's output. New construction, which was split almost equally between residential and non-residential, accounted for another 25 per cent. Repairs and renovations took in the remaining 30 per cent.

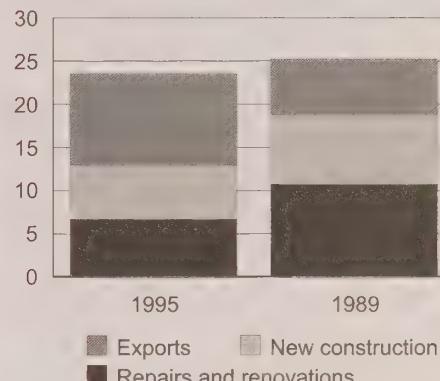
The study produced separate estimates for 14 sub-industries, most significantly lumbering, which accounted for 48 per cent of all activity related to building materials production and three quarters of building materials exports. Concrete products accounted for another 13 per cent, windows and doors 9.4 per cent, and exterior cladding 8.2 per cent. All other sub-industries individually accounted for less than 5 per cent.

For comparison, the study also found that the building materials industry contributed 7 per cent more to GDP in 1989. Results indicated a very sharp increase in value added shipments to foreign countries but a large decline in shipments to residential and

non-residential construction since then. This is consistent with the industry's search for new foreign markets in response to rising import competition in the Canadian marketplace. ■

GDP of building materials industry by source of spending

(thousands of 1995 dollars)



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PROVINCIAL HOUSING OUTLOOKS

Newfoundland

Rural starts continue to slump

After falling to their lowest level on record last year, rural housing starts in the province continued to slump during the early part of 1998. Total provincial housing starts for the first quarter fell short of last year's levels. Outmigration and uncertainty over future compensation for laid-off fishery workers remain the major reasons for the steady decline in housing demand in rural Newfoundland.

Continued weakness in rural areas is not encouraging, with provincial housing starts now forecast to decline slightly to 1,675 units in 1998. The downward spiral in rural housing starts should come to a halt next year as job prospects gradually improve and outmigration subsides from recent levels. The St. John's region will remain a bright spot, with modest gains in residential construction expected this year and next.

Total provincial MLS sales in the first quarter fell slightly from last year's record-setting pace but

remained well above the historic average. Employment growth in the St. John's area, low mortgage rates and an abundant supply of affordable housing continue to support sales of existing homes. The resale market will be helped this year by sustained employment growth and the expansion of CMHC's mortgage insurance programs to allow repeat buyers to purchase homes with a five per cent down payment. As a result, total provincial MLS sales are expected to increase slightly this year and again in 1999. Although price growth will vary for the various house types, the average price in the province will inch up to \$92,500 this year.

Prince Edward Island

Economy and housing markets steady

With a first quarter improvement in rural home starts and rental units, new home construction is on track to match last year's levels. Weakness in urban centres will remain throughout the year in the face of heavy competition from the resale market. While existing home sales have performed exceptionally well during early months of the year, employment and income are not expected to grow significantly and the pace will not continue. In total, sales will have an excellent year, but not enough to match 1997.

The economy will coast this year with a slight amount of growth, led by food manufacturing and the service sector. Recent government announcements concerning school and hospital construction and repair will provide a boost over the next several years. However, weaker potato prices and a reduction in tourism will work against impressive growth during the forecast period.

Nova Scotia

Housing markets to recover from slow start to the year

As expected, a buoyant Nova Scotia economy has not yet been able to stimulate housing markets. The record-setting pace that opened 1997 was not sustained in the first quarter of this year, and a 70 per cent drop in residential construction returned activity to near average levels.

Led by renewed strength in the rural areas of the province as a result of spin-offs from the Sable Gas Project, housing starts will grow by 1.0 per cent in 1998. Adding a positive element to the outlook is the recent announcement of the Nova Scotia Provincial Rebate. Purchasers of newly built homes may now use the provincial portion of the HST rebate as a down payment. Although this announcement is not expected to create a surge in home building, it will make new housing more affordable and should generate more interest among first-time buyers.

While not as weak, the resale market also lacked vigour as first-time-buyer demand has slowed. However, like the new home market, resales are expected to rebound from a weak opening to the year. Sales will grow by 3.0 per cent, topping 7,800 this year. Prices, which have already shown good growth despite the slowdown in sales, will top \$98,000 this year.

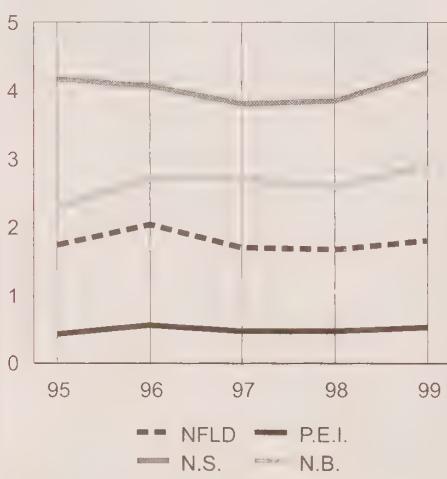
New Brunswick

Construction pace to pick up this summer

Unexpected ice storms and high snow loads kept buyers and builders at home during the opening months of the year. Led by a 53 per cent downturn in urban centres, overall residential construction fell 39 per

Housing Starts Atlantic Region

(thousands of units)



SOURCE: CMHC.
1998-99 Forecast.

cent in the first quarter of 1998 compared to the first quarter of 1997. Weakness in the homeownership market had industry players most concerned. A stronger summer season, however, will keep builders busier than last year, but year end comparisons will show only a 3.0 per cent improvement. Next year, single-family construction will increase by 11.5 per cent as a result of improving markets in the Saint John and Moncton areas. Rising vacancy rates that have tempered activity in the rental markets will keep multiple unit construction down by close to 30 per cent this year.

Buyers looking for existing homes have been more active. Prices have been falling in the resale market over the last six months, and sales kept inching ahead between January and March. Improvement this summer in all market areas

except Moncton will keep year end sales close to the 4,000 mark. Ongoing economic recovery in the urban markets around the province will result in an 8.0 per cent increase in sales in 1999. Swollen inventories of homes for sale will keep annual price increases in the 1.0 to 1.5 per cent range over the outlook period.

Quebec

Ice storm cools down construction

The January ice storm, which had a major impact on the entire Quebec economy, also threw a chill over the real estate sector. Even with the heightened consumer optimism, housing starts dipped to 23,600 units (SAAR) in the first quarter of 1998, a 2.5 per cent decrease from the final quarter of last year, while MLS

resale volumes dropped by 5 per cent over the same period.

The storm's effects are temporary, however, as both the new home and resale markets are expected to recover this spring. The creation of full-time jobs, rising disposable household income and declining unemployment have restored consumer confidence. However, growing out-migration to other provinces may suppress recovery in the new home sector this year. Overall, housing starts should still register an increase of 3.1 per cent in 1998 to reach 26,700 units, and post another gain of 10.9 per cent in 1999 to 29,600.

After an upsurge this spring, the trend in the resale market will be downward in the medium term, given the depletion of the first-time home buyer pool. It is highly unlikely that this year will see a repeat of last year's performance,

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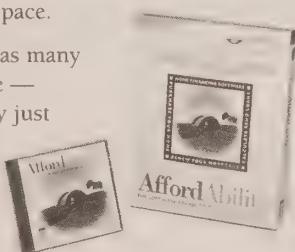


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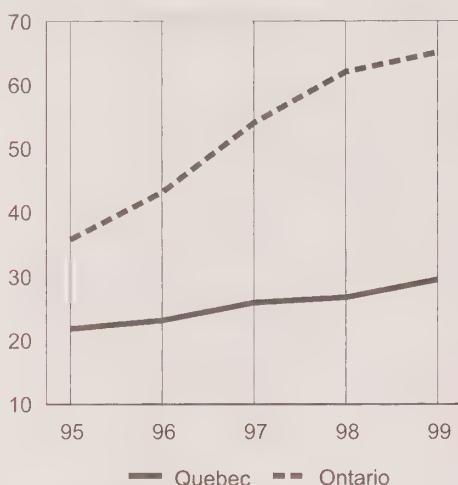
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Housing Starts Quebec and Ontario

(thousands of units)



SOURCE: CMHC.
1998-99 Forecast.

when a good number of first-time buyers took advantage of low interest rates and strong job creation to purchase their first property and pushed the volume of resales up to a record level. MLS sales volumes are expected to decline by 10.1 per cent to 39,000 transactions in 1998, and then to fall by another 7.7 per cent in 1999.

At the same time, the improvement in labour market conditions among people 34-45 years old will probably prompt quite a few of these people to buy more expensive homes. This should drive up the average price of transactions by 3.0 per cent in 1998 and by another 2.0 per cent next year, to \$107,000.

Ontario

Jobs boosting construction

First quarter home construction increased in Ontario more than in any other Canadian province as home starts jumped to their highest rate in almost eight years. First quarter starts soared by 29.2 per cent, to 62,600 at a seasonally adjusted annual rate from 54,600 in the fourth quarter of 1997. A spike

in condominium construction and higher starts of multiple units with freehold ownership of land accounted for most of the increase. A growing possibility that several building trades might walk out in a province-wide strike has caused some builders to scramble to get as much as possible accomplished beforehand.

Resale prices are heading up. Market classification indicators, such as sales-to-new-listings ratios, suggest that home price increases in most of the province's markets will grow at a more moderate pace this year. As resale home prices grow, home buyers will increasingly turn to competitively priced new homes.

Home resale numbers edged down from their record pace of the beginning of last year, but remain very high. Growth in resales will be constrained by a diminishing supply of existing homes, especially in the lower price ranges.

There are a lot of good things happening in Ontario's economy — broad-based economic expansion with exceptionally strong job growth, very high consumer confidence, elevated immigration and net in-migration from other parts of Canada — but even so, Labour Force Survey statistics suggest that significant untapped labour resources remain. The implication for home markets is a further rise in demand as more people look for jobs and find them.

Consumer optimism and strong job creation will sustain demand for homes. Affordable mortgage rates will ensure strong first-time home buyer activity. Even though many home owners who bought immediately before prices retreated in the late 1980s have not recouped their losses, move-up buyers will become more active now that home prices have improved and quelled fears of future home equity losses. Second round home buyers who want to cash in on equity in existing homes

will find them relatively easier to sell to accommodate a move.

Housing starts will jump by 15 per cent to 62,000 in 1998 and will rise to 65,000 in 1999. Starts of single-detached homes will continue to grow, but most of the increase will be in multiple family dwellings. Multiple home construction will be boosted by affordable mortgage rates in combination with successful builder targeting of new town homes and condominiums to buyers in search of cost-competitive new homes.

Manitoba

Housing markets staged for growth in 1998

Manitoba's economy still boasts some key underlying strengths and should pay dividends in the form of solid resales and new housing construction. Low inflation, balanced public sector budgets and low interest rates will create the underpinning for improvement in both residential and non-residential construction throughout the province this year. The broad-based manufacturing sector continues to perform well, particularly in aerospace and bus manufacturing. What's more impressive is that full-time job growth has outpaced part-time growth by a wide margin, thereby supporting new household formation. However, given the out-migration trend experienced by Manitoba over this decade, labor market shortages of skilled workers may impede expansion in some sectors.

In 1998, the resale market will be supported by buyers at both ends of the spectrum. In an era of low interest rates, first-time buyers will continue to raise their housing expectations and underpin sales in the \$80,000-\$100,000 price range. At the other end, move-up buyers are re-establishing domination in the market. Tighter listings of upper-end homes on the resale market have led

to increased traffic flow in the new home market recently and will continue to do so. Toward the end of this year, Brandon's new home market should start feeling the positive ripple effect created by construction of the Maple Leaf plant.

Multiple starts will remain buoyant in spite of a vacancy rate of just under 6.0 per cent in Winnipeg last October. Most of the action will centre on seniors' life-lease apartments and condominiums targeting the move-down buyer. Turning back to the rental market, the vacancy rate for private units renting for over \$700 in Winnipeg stood at under one per cent, well under the balanced mark of three per cent. This suggests that the growing empty nester population is willing to pay a premium for a maintenance-free lifestyle.

Saskatchewan

Economy and housing markets on track in first quarter

The Saskatchewan economy continues to produce jobs and income at record-breaking rates. Employment growth is taking place in every region of the province and in most industrial sectors. The first

quarter saw employment expansion in all sectors except transportation, construction and public administration. Pipeline projects and continued oil patch activity will ensure job growth in construction and transportation later in 1998. Average weekly earnings were up almost 4.0 per cent in 1997, the largest increase in six years.

The many positive signals in the provincial economy are encouraging new household formation and leading to high housing start activity. Starts are expected to reach 2,700 units in 1998 and 2,600 in 1999.

Lenders report that rising rents are giving property owners the incentive to restructure mortgage debt, rehabilitate buildings and acquire new holdings. At the same time, rising rents are encouraging renters to consider home ownership. These buyers, typically first-time buyers and in-migrants, are finding a scarce supply of affordable existing housing, which is driving prices up at rates in excess of inflation.

The rising price of existing homes and the limited supply of good-quality existing housing are providing home builders with an opportunity to increase prices. Home builders and developers are trying innovative techniques to attract buyers who might otherwise purchase existing housing. Building activity is increasing in rural areas surrounding Saskatchewan cities, where land prices and taxes are lower. Narrow-lot building developments are selling quickly in both Regina and Saskatoon.

Alberta

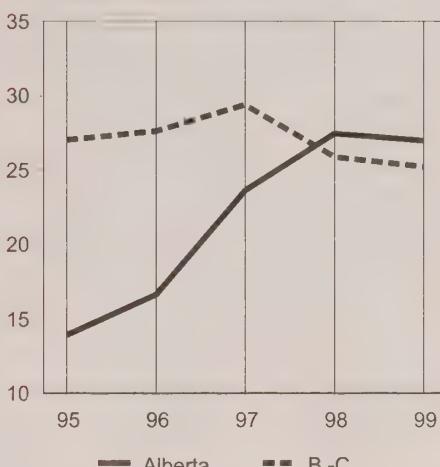
Overall economic growth stimulates housing markets

Shrugging off depressed oil prices, Alberta's economic expansion has carried over the momentum of 1997's robust growth and remained strong in the early part of 1998.

Housing Starts

Alberta and British Columbia

(thousands of units)



SOURCE: CMHC.

1998-99 Forecast.

Construction of single-detached homes in Alberta's cities rose by 14 per cent, the best performance among all provinces. Multiple-family housing starts were especially strong, with large advances recorded in Calgary and Edmonton.

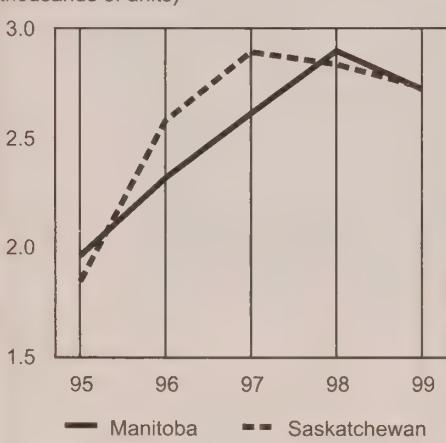
Following last year's record performance, resale activity slowed in Alberta during the first three months of the year and declined by 5.4 per cent compared to the last quarter of 1997. However, as the selling prices of resales more often approached list prices in most communities, resale prices were up by 1.1 per cent. A shortage of active listings will couple with falling affordability to keep 1998 sales below last year's levels. Market conditions will continue to favour sellers in many localities this year and result in price hikes of over eight per cent province-wide.

Underpinned by strong consumer spending and business investment, housing starts should surpass last year's banner performance to reach 27,500 units this year. Single-detached starts will reach the 20,000 mark while multiples will continue to surge as a result of strong demand for affordable condominiums and

Housing Starts

Manitoba and Saskatchewan

(thousands of units)



SOURCE: CMHC.

1998-99 Forecast.

tight rental markets. However, an extended slump in oil prices will slow the province's economic growth in the latter half of this year and into 1999. While the prospects for gas prices are looking better by year end, prolonged weakness in oil prices will erode business confidence. Consumer confidence will be the next casualty if world oil prices continue to languish into the fall. As a result, resales and total housing starts are expected to come down in 1999. Despite reduced sales, resale prices will continue their upward trend, reaching an average of \$139,000 next year.

British Columbia

Provincial housing markets to become less active

As a result of volatile conditions in Asia, combined with lower prices and lowered demand for natural

resources, the BC economy is experiencing weakness. The economic uncertainty is reflected in unemployment levels much higher than in Alberta and Ontario, which could result in net out-migration to these provinces. With a declining job market, absorption of new housing has fallen and the housing industry has responded with a reduction in starts in urban centres. While total starts in Greater Vancouver should decline by only 3 per cent this year, with an anticipated 15,450 starts, total starts for the province will likely experience an 11.9 per cent decline.

With lower absorption of units and the reduction in starts, inventory levels were approximately 15 to 20 per cent higher at the end of the first quarter than last year at this time and there is a three to four month supply. Downward price adjustments will likely be needed in some

areas to ensure that inventory levels do not continue to build up.

MLS residential sales are expected to drop by 15.6 per cent in 1998 along with a 1 per cent decline in the average MLS price. This is largely because most of the sales activity will occur at the lower end of the market, in price ranges geared to buyers, like first-time buyers, who are concerned about affordability. Activity at this end of the market should continue to be stimulated by a favourable mortgage rate environment. Conversely, at the upper end of the market, where prices have dropped only slightly, overall sales activity has slowed significantly in response to lower net migration and the unwillingness of home owners to lower listing prices. ■

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Housing Starts

Total (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	2405	2243	1712	2034	1696	1675	1800
%	5.9	-6.7	-23.7	18.8	-16.6	-1.2	7.5
PEI	645	669	422	554	470	470	525
%	0.2	3.7	-36.9	31.3	-15.2	0.0	11.7
NS	4282	4748	4168	4059	3813	3850	4280
%	-8.4	10.9	-12.2	-2.6	-6.1	1.0	11.2
NB	3693	3203	2300	2722	2702	2600	2900
%	11.6	-13.3	-28.2	18.3	-0.7	-3.8	11.5
QUE	34015	34154	21885	23220	25896	26700	29600
%	-11.0	0.4	-35.9	6.1	11.5	3.1	10.9
ONT	45140	46645	35818	43062	54072	62000	65000
%	-19.1	3.3	-23.2	20.2	25.6	14.7	4.8
MAN	2425	3197	1963	2318	2612	2900	2725
%	5.0	31.8	-38.6	18.1	12.7	11.0	-6.0
SASK	1880	2098	1702	2438	2757	2700	2600
%	0.6	11.6	-18.9	43.2	13.1	-2.1	-3.7
ALTA	18151	17692	13906	16665	23671	27500	27000
%	-2.3	-2.5	-21.4	19.8	42.0	16.2	-1.8
BC	42807	39408	27057	27641	29351	25870	25200
%	5.4	-7.9	-31.3	2.2	6.2	-11.9	-2.6
CAN	155443	154057	110933	124713	147040	*156300	*161600
%	-7.6	-0.9	-28.0	12.4	17.9	6.3	3.4

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1559	1455	1165	1395	1220	1225	1325
%	-3.2	-6.7	-19.9	19.7	-12.5	0.4	8.2
PEI	460	454	364	430	374	380	425
%	9.3	-1.3	-19.8	18.1	-13.0	1.6	11.8
NS	3126	3358	3040	3278	2939	2975	3230
%	-3.3	7.4	-9.5	7.8	-10.3	1.2	8.6
NB	2535	2547	1722	2173	2125	2185	2450
%	6.0	0.5	-32.4	26.2	-2.2	2.8	12.1
QUE	17136	18414	13428	14818	16073	17200	18600
%	-7.7	7.5	-27.1	10.4	8.5	7.0	8.1
ONT	26240	30036	20124	27019	35401	37500	39000
%	-5.8	14.5	-33.0	34.3	31.0	5.9	4.0
MAN	1874	2441	1564	1875	2019	2300	2100
%	11.3	30.3	-35.9	19.9	7.7	13.9	-8.7
SASK	1342	1542	1341	1612	1954	1940	1900
%	-9.6	14.9	-13.0	20.2	21.2	-0.7	-2.1
ALTA	13040	12671	10096	12949	18170	20000	19000
%	-7.7	-2.8	-20.3	28.3	40.3	10.1	-5.0
BC	17787	16591	11581	12447	12911	11390	11500
%	-17.2	-6.7	-30.2	7.5	3.7	-11.8	1.0
CAN	85099	89509	64425	77996	93186	*97100	*99500
%	-8.3	5.2	-28.0	21.1	19.5	4.2	2.5

Multiples (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	846	788	547	639	476	450	475
%	28.2	-6.9	-30.6	16.8	-25.5	-5.5	5.6
PEI	185	215	58	124	96	90	100
%	-17.0	16.2	-73.0	113.8	-22.6	-6.3	11.1
NS	1156	1390	1128	781	874	875	1050
%	-19.8	20.2	-18.8	-30.8	11.9	0.1	20.0
NB	1158	656	578	549	577	415	450
%	26.0	-43.4	-11.9	-5.0	5.1	-28.1	8.4
QUE	16879	15740	8457	8402	9823	9500	11000
%	-14.2	-6.7	-46.3	-0.7	16.9	-3.3	15.8
ONT	18900	16609	15694	16043	18671	24500	26000
%	-32.3	-12.1	-5.5	2.2	16.4	31.2	6.1
MAN	551	756	399	443	593	600	625
%	-12.1	37.2	-47.2	11.0	33.9	1.2	4.2
SASK	538	556	361	826	803	760	700
%	39.7	3.3	-35.1	128.8	-2.8	-5.4	-7.9
ALTA	5111	5021	3810	3716	5501	7500	8000
%	14.9	-1.8	-24.1	-2.5	48.0	36.3	6.7
BC	25020	22817	15476	15194	16440	14480	13700
%	30.7	-8.8	-32.2	-1.8	8.2	-11.9	-5.4
CAN	70344	64548	46508	46717	53854	*59200	*62100
%	-6.7	-8.2	-27.9	0.4	15.3	9.9	4.9

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1867	1873	1655	2005	2170	2200	2275
%	2.1	0.3	-11.6	21.1	8.2	1.4	3.4
PEI	654	599	476	750	806	750	700
%	8.3	-8.4	-20.5	57.6	7.5	-6.9	-6.7
NS	7180	7140	7019	8332	7567	7800	8275
%	3.2	-0.6	-1.7	18.7	-9.2	3.1	6.1
NB	3483	3339	3496	4023	3941	3975	4300
%	-1.9	-4.1	4.7	15.1	-2.0	0.9	8.2
QUE	31875	33575	29824	39213	43405	39000	36000
%	-0.2	5.3	-11.2	31.5	10.7	-10.1	-7.7
ONT	107575	116005	105789	138859	140608	141000	143000
%	-6.7	7.8	-8.8	31.3	1.3	0.3	1.4
MAN	10546	10825	9749	10965	11180	11500	11000
%	-7.4	2.6	-9.9	12.5	2.0	2.9	-4.3
SASK	7375	7459	7349	8689	8346	8200	8100
%	-5.8	1.1	-1.5	18.2	-3.9	-1.7	-1.2
ALTA	37024	32512	29098	37485	43693	42000	37800
%	-3.9	-12.2	-10.5	28.8	16.6	-3.9	-10.0
BC	80919	75270	58082	72182	68182	57554	57604
%	-13.5	-7.0	-22.8	24.3	-5.5	-15.6	0.1
CAN**	288498	288597	252537	322503	329898	*314000	*309100
%	-7.4	0.0	-12.5	27.7	2.3	-4.8	-1.6

Average Residential Price (dollars and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	91243	91697	89525	93666	92212	92500	93000
%	-1.0	0.5	-2.4	4.6	-1.6	0.3	0.5
PEI	72422	78753	73807	83962	86352	85000	87500
%	-4.2	8.7	-6.3	13.8	2.8	-1.6	2.9
NS	88965	91109	89788	93843	96693	98000	101000
%	1.5	2.4	-1.4	4.5	3.0	1.4	3.1
NB	84951	84149	83994	84206	87211	88000	89350
%	3.0	-0.9	-0.2	0.3	3.6	0.9	1.5
QUE	102447	102242	98837	98586	101751	104800	106900
%	0.1	-0.2	-3.3	-0.3	3.2	3.0	2.0
ONT	156403	160033	154537	155584	164382	170000	178000
%	-3.1	2.3	-3.4	0.7	5.7	3.4	4.7
MAN	81748	83761	81897	85316	85403	85750	85500
%	1.3	2.5	-2.2	4.2	0.1	0.4	-0.3
SASK	70698	72738	73796	77476	83980	88500	93000
%	3.4	2.9	1.5	5.0	8.4	5.4	5.1
ALTA	117085	117336	114772	117672	124864	135000	139000
%	3.1	0.2	-2.2	2.5	6.1	8.1	3.0
BC	211992	229514	221860	218687	220511	218620	219818
%	11.6	8.3	-3.3	-1.4	0.8	-0.9	0.5
CAN**	152914	158309	150353	150840	154658	*157300	*163100
%	2.2	3.5	-5.0	0.3	2.5	1.7	3.7

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

**Seasonally adjusted at annual rates
(levels and quarterly percentage change)**

	96:Q3	96:Q4	97:Q1	97:Q2	97:Q3	97:Q4	98:Q1
New housing							
Building permits, units, thousands	134.2	145.8	162.8	150.8	159.2	150.1	..
%	5.1	8.6	11.7	-7.4	5.6	-5.7	..
Housing starts, total, thousands	127.8	131.8	151.6	145.0	148.3	148.2	151.0
%	2.7	3.1	15.0	-4.4	2.3	-0.1	1.9
Housing starts, singles, thousands	79.1	81.6	100.2	91.1	93.8	92.1	91.1
%	-0.3	3.2	22.8	-9.1	3.0	-1.8	-1.1
Housing starts, multiples, thousands	48.7	50.2	51.4	53.9	54.5	56.1	59.9
%	8.0	3.1	2.4	4.9	1.1	2.9	6.8
Housing completions, total, thousands	120.1	123.6	134.3	150.2	138.9	149.0	147.1
%	8.7	2.9	8.7	11.8	-7.5	7.3	-1.3
New house price index, 1992=100	98.1	98.3	98.8	99.1	99.2	99.5	99.8
%	-0.2	0.2	0.5	0.3	0.1	0.3	0.3
Existing housing							
MLS resales, units, thousands	311.7	378.9	351.1	331.1	325.4	313.0	290.0
%	1.3	21.6	-7.4	-5.7	-1.7	-3.8	-7.3
MLS average resale price, \$C thousands	151.4	151.3	153.6	156.1	154.8	154.1	153.4
%	-0.0	-0.1	1.5	1.7	-0.9	-0.4	-0.5
Mortgage market							
Mortgages outstanding, \$C billions	351.8	356.0	361.0	364.5	367.9	371.1	..
%	1.0	1.2	1.4	1.0	0.9	0.9	..
Mortgage approvals, \$C billions	70.8	87.5	85.0	75.6	73.2
%	11.4	23.5	-2.8	-11.1	-3.2
1-year mortgage rate, per cent*	6.25	5.25	5.15	5.38	5.65	5.98	6.40
5-year mortgage rate, per cent*	8.13	7.03	7.18	7.33	6.95	6.82	6.85
Residential investment**							
Total, \$1992 billions	39.1	41.1	42.1	43.1	43.0	43.9	..
%	5.1	5.1	2.4	2.6	-0.3	2.1	..
New, \$1992 billions	19.4	19.7	21.0	22.0	22.0	22.9	..
%	7.3	1.4	6.5	4.8	0.1	4.1	..
Alterations, \$1992 billions	12.5	12.7	13.0	13.5	13.6	13.8	..
%	3.2	1.1	2.7	3.4	0.7	2.2	..
Transfer costs, \$1992 billions	7.1	8.7	8.1	7.7	7.4	7.2	..
%	2.8	22.3	-7.3	-4.5	-3.3	-3.5	..
Deflator, 1992 =100	105.8	106.0	106.4	107.4	107.1	107.4	..
%	0.2	0.2	0.4	0.9	-0.3	0.3	..

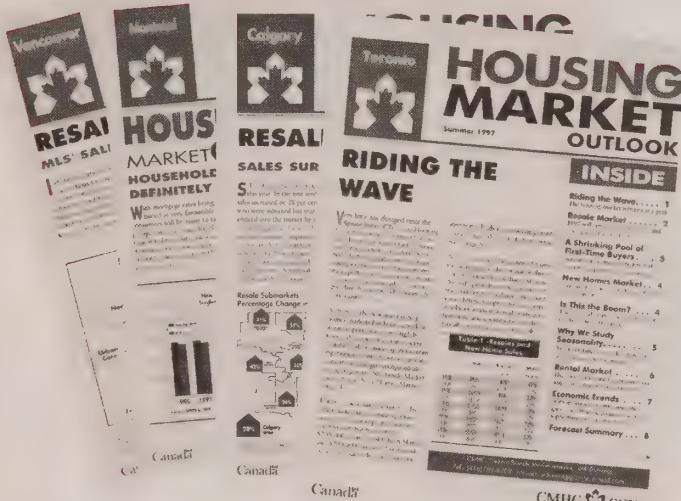
SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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Executive Summary

Canada

Slowing economy and a hesitant housing market

To date, 1998 has been a disappointing year for the residential construction industry. In the first six months, housing starts fell 2.4 per cent behind last year's pace, to 144,500 (SAAR). On the other hand, after a relatively slow start in the first quarter, the resale market rebounded in the second quarter, posting 12.3 per cent more transactions.

Notwithstanding special factors that have disrupted the market over the past few months (notably the ice storm and work stoppages in Ontario), the basic factors remained positive. Housing markets continued to benefit from advantageous credit conditions, a vigorous job market and a high level of consumer confidence.

But the soundness of the Canadian economy is being increasingly weakened by the Asian financial crisis. The effects of the crisis, spreading from west to east and already strongly felt in the natural resources sector, could eventually affect the manufacturing sector and services. The dynamism of the American economy is enabling Canada to maintain a significant growth level; but, as long as the Asian crisis lasts, growth will be restrained.

Total housing starts are likely to reach 145,900 this year, closely matching last year's performance. Modest growth will be the order of the day in 1999, when housing starts will reach 150,100. Prices of new homes should increase by approximately 2.0 per cent in 1998 and 1999.

The resale market will also slow over the next two years. MLS* sales will level out at 307,700 transactions this year and will not surpass 310,000 transactions in 1999. It must be remembered that this year's decline of 6.7 per cent follows a record 1997 in which 329,898 transactions took place. Balancing the decrease in the number of transactions will be an increase in the national average selling price, by 2.0 per cent, to \$157,000 in 1998 and 3.3 per cent to \$163,000 in 1999.

Newfoundland

A stronger housing market in 1999

During the first six months of 1998, the housing market in Newfoundland was lukewarm. Residential construction was down 10.6 per cent, while resale market transactions reached a record level in June after a relatively slow start to the year.

The Newfoundland economy, just beginning to benefit from Hibernia, is still waiting for construction to begin on Terra Nova and possibly Voisey's Bay. The strong job creation that may result from these megaprojects will affect housing market performance over the next two years. Other benefits will come to rural areas as a result of the fishing industry restructuring program. Mobility programs for fishing industry workers, however, will encourage many rural residents to migrate to urban centres or to other provinces, thus tempering residential construction in rural areas.

Supported by low mortgage rates, job creation and a positive migratory

balance from rural areas, urban residential construction will bring the total number of housing starts for the province to 1,675 units this year and 1,800 units in 1999, an increase of 7.5 per cent.

There will be 2,200 MLS transactions this year and 2,250 in 1999. The rental market in St. John's will also improve, thanks to the influx of fishing industry workers, stronger job creation and the conversion of unoccupied rental apartments to condominiums.

Prince Edward Island

An economy in transition and a two-speed housing market

With completion of the Confederation Bridge, the Island's economy is in transition with economic growth slowing to 1.0 per cent in 1998 before rebounding slightly in 1999.

After posting a record number of transactions during the first six months of the year, the Prince Edward Island resale market will have a very good year in 1998. Potential buyers will continue to benefit from excellent buying conditions. Homes will remain very affordable, as prices remain low with ample listings.

The pace of new construction, which is down by 2.4 per cent in the first six months of 1998, reflects the end of the Confederation Bridge project. The volume of housing starts has also been affected by strong competition from the resale market,

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

which offers a broad range of affordable housing. The 430 housing starts in 1998 will be fewer than the 470 last year, but the 1997 level will be reached again next year.

Nova Scotia

Positive repercussions from natural gas megaprojects

To date, Nova Scotia housing markets have not performed as might be expected in a relatively solid provincial economy. During the first half of the year, resale volumes fell by 6.0 per cent, and the apathy of first-time buyers kept the volume of housing starts very low.

However, the economic outlook for Nova Scotia is encouraging.

Non-residential construction and the tourist industry are expected to sustain economic growth over the next few years, and installations for the development of natural gas deposits on Sable Island are moving along briskly.

In 1998, resale transactions will surpass the 7,000 mark, a slight increase over 1997. Economic growth, greater consumer confidence and the increased presence of high-range house buyers will foster price increases. The average resale price will reach \$98,000 in 1998 and \$100,000 in 1999.

Despite predictable growth over the coming months, housing start volumes in the province will not recover ground lost during the first half of the year, and the year-end figure will be 3,500 units, a decrease of 8.0 per cent from 1997. Housing starts will increase to 3,850 units in 1999.

New Brunswick

Housing market should rebound over coming months

Better days await New Brunswick housing markets. After a relatively slow first half of the year, the resale market is showing signs of revival, primarily in Greater Moncton and St. John. New housing activity, which must overcome strong competition from the resale market and a rental market with numerous unoccupied units, will decrease in 1998.

The New Brunswick economy will grow by 2.4 per cent in 1998 and 2.8 per cent in 1999. This will be a significant improvement over the 1.0 per cent growth in 1997.

Resale transactions in the province will exceed 4,000 units in 1998, but price increases will be limited by an abundant supply of houses for sale in most markets. The average price of existing houses sold will increase by 0.5 per cent this year to reach \$87,500, and by a further 1.7 per cent next year, to \$89,000.

During the first six months of the year, total housing starts in New Brunswick were 17 per cent lower than in 1997. A weak rural performance will reduce housing starts to 2,500 units this year. Increased activity outside major urban centres in 1999 will increase the volume of individual housing starts to 2,700 units.

Quebec

Gradual slowing of housing market activity

Housing market performance in the second quarter was lukewarm, with housing starts down 4.8 per cent from the same period in 1997 and MLS sales up by 1.4 per cent. Despite low interest rates, the current job creation level and the migratory balance are

not sufficient to boost the real estate market in Quebec.

The strong real estate market growth of 1997 will not be repeated in either of the next two years, as moderate employment growth will depress consumer confidence. Total housing starts will level out at 25,500 units in 1998 and 25,000 in 1999. The bulk of the slowdown will be in detached housing, where starts will slide from 16,073 units in 1997 to 14,650 in 1998 and 11,550 in 1999.

After an excellent performance in 1997, resales will fall to slightly over 36,800 units in 1998 and 1999. Average prices, however, will be boosted by improved market balance and a larger number of high-range houses being sold. The average price will increase by 3.2 per cent in 1998 to \$105,000 and by 1.9 per cent in 1999 to \$107,000.

Ontario

Continued growth in 1998 and 1999

After a dynamic first quarter, housing starts fell 13.4 per cent between April and June, primarily as a result of work stoppages in the Toronto area. Housing starts dropped from 62,600 units (SAAR) in the first quarter to 54,200 in the second. The resale market is increasingly vigorous, and conditions are favourable for sellers in a number of municipalities, primarily in southern Ontario. Despite high prices, mortgage carrying costs compare favourably with any in the past two decades.

Ontario's demographics and economic conditions are encouraging significant growth in housing demand. Despite a mid-year pause in 1997, job creation in the province was very strong from the beginning of last year through the early months of 1998. Consumer confidence remains high, even after a drop in the second quarter.

Ontario housing starts will increase by 5.4 per cent to 57,000 units in 1998, and growth will continue next year, with 63,000 starts. The resale market will be limited by a decrease in the number of properties for sale, particularly in the most affordable segment.

Manitoba

A housing market torn between a strong economy and negative migratory balance

This will be the best year of the decade for residential construction in Manitoba. During the first six months of 1998, housing starts surged by 19 per cent. Even if activity slows in the province over the next few months, the annual total number of housing units started will reach 2,850, a 9.1 per cent increase over 1997. After this boom, total housing starts will decrease by 4.2 per cent next year, to 2,730 units.

The strength of the American economy is helping Manitoba compensate for depressed world prices, which are severely affecting the resources sector. For the next two years, housing markets will benefit from rising employment figures, incomes and consumer confidence. The only cloud over the Manitoba economy and housing markets is the persistent negative migratory balance. In 1998, 5,000 Manitobans will move to other provinces. This situation is sapping housing market growth potential and impeding the construction of single-family homes.

The migratory problem will also undermine the resale market, contributing to a drop of 2.0 per cent in the number of MLS transactions in 1998, to 10,940. The average MLS price will post a 1.2 per cent gain in 1998, to \$86,260, and will slide to \$86,000 in 1999.

Saskatchewan

Housing markets benefit from a strong economy

After two years of strong growth, Saskatchewan's economy is preparing to slow as world prices decline for natural resources. Nevertheless, housing markets will continue to benefit from lower emigration and the job gains of the past few months. During the first six months of 1998, housing starts and average existing house prices exceeded the levels achieved a year earlier.

In general, Saskatchewan housing markets are very tight. Listings of affordable, good-quality existing homes are scarce in several markets. While the number of resale transactions has matched last year's performance, it will shrink over the next few months, with fewer active listings and signs of an economic slowdown. However, a reduced number of available resale properties should combine with rising prices to yield more housing starts.

Alberta

Performance still solid but slowdown on the horizon

Alberta's economic performance continues solid. With strong interprovincial migration and dynamic job creation, housing markets continue to expand. In the first six months of the year, housing starts rose 21 per cent and sales of existing homes are reaching record levels. Sellers throughout most of the province are benefiting from the scarcity of houses for sale, which has increased average resale prices by 7 per cent.

Total housing starts will increase by 16 per cent in 1998, to 27,500 units, the highest level since 1981, but the number will fall back to 24,500 in 1999.

Following general trends in the province's economy, the number of resale transactions will drop by 4.0 per cent this year, to 42,000, and by another 10 per cent, to 37,800, in 1999. The average resale market price will rise 8.0 per cent this year and 3.0 per cent in 1999, with market conditions favouring vendors in most of the province's urban centres.

British Columbia

Economy and housing markets caught in the Asian upheaval

British Columbia is facing many difficulties which are directly dampening housing markets throughout the province. First, lower world demand and prices for natural resources are exerting major effects on locations in the north, on the coast and in the interior of this Asia-oriented province. Next, there is a noticeable slowdown in population growth, which has been the foundation of the province's economic growth over the past 15 years. Not only is international immigration down, but interprovincial migration has posted a negative balance for the first time in 15 years, as more people move to Alberta, where job prospects are better.

A decline of 17 per cent in MLS listings this year will result in 56,000 transactions, while the average resale price will drop at least a full percent, to around \$217,000. The number of transactions and the average resale price is expected to stabilize in 1999.

In an unsteady economic climate and affected by anxious consumers, residential construction will be weaker than anticipated over the next two years. Housing starts will reach 21,600 units in 1998 and 23,000 units in 1999.■

Canada

by Michel Laurence



Housing Review

A disappointing first half

For home builders and the home building industry, 1998 has been a disappointing year so far. Total housing starts averaged 144,500 units during the first half of the year, 2.4 per cent off the pace set over the same period last year. While first quarter figures were healthy despite ice storm effects in Central Canada and the Maritimes, the second quarter was noticeably below par largely due to construction strikes in Ontario and a pronounced slowdown in B.C.

Single-detached construction recorded a 4.9 per cent drop in the

first half of 1998 compared to the first half of 1997 due to fewer starts in all regions except the Prairies. Multiple-unit construction rose over the same period largely because of much higher starts in Ontario.

The resale market retreated to a two-year low of 291,900 transactions in the first quarter of 1998 as the ice storm hit and the pool of first-time buyers, taking advantage of the low financing rates and low house prices, became depleted. Second quarter volumes rebounded 12.3 per cent but were still behind last year's pace. Conditions remained favorable to buyers in most areas although seller conditions appeared in certain local markets such as Calgary. Average prices eased marginally to \$152,000, mostly as a result of less activity in high price B.C. Limited price changes on the resale market were matched by those on the new home market.

Fundamental factors remained very positive

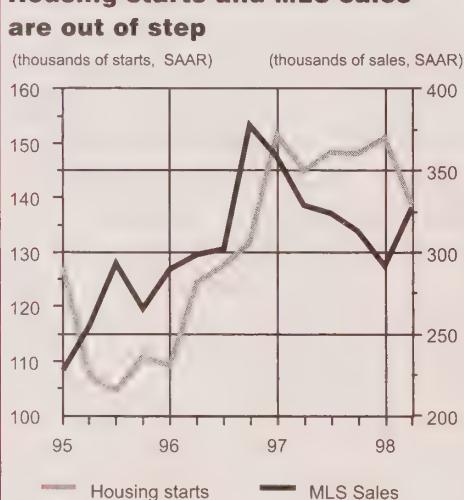
Notwithstanding the special factors dampening housing markets, such as the ice storm and the Ontario construction strikes, other more fundamental factors remained very positive. These included low mortgage financing, growth in

employment, and high consumer confidence.

Mortgage financing costs remained favorable to home ownership in the first half of 1998. Five-year mortgage rates essentially stabilized near the 7 per cent mark since the end of 1996. One-year rates rose more than a full percentage point through most of 1997 and into early 1998 only to level off near the 6.5 per cent mark. These higher short term rates did not have much of an impact on housing construction, however, as these mainly affected home owners renewing their mortgages. Higher short rates had little impact on the first-time buyer market as it already had a strong inclination toward longer term mortgages.

The economy continued to grow albeit at a moderating pace in this first half of the year. Gross Domestic Product (GDP) rose 3.4 per cent at an annualized rate in the first quarter, 1.8 per cent in the second. Gains were broadly based, from primary resource industries, to manufacturing and service industries. These gains were translated into healthy job creation. Building on 1997 momentum, employment rose by 128,500 persons from January to June alone, averaging 388,700 above year-ago levels.

Housing starts and MLS sales are out of step



SOURCES: CMHC, Canadian Real Estate Association.

Such conditions helped consumer confidence and sustained housing demand. In fact, the index of consumer attitudes monitored by the Conference Board of Canada remained near decade high levels.

Economic Outlook 1998-99

Clouds on the horizon

With the ice storm and labour strikes left behind, it would seem that the more fundamental and positive developments such as good job growth, low interest rates, and high consumer confidence would bolster housing prospects for the rest of the year. However this may not be so as high uncertainty clouds the horizon.

Despite the strong momentum built up over the first half of the year, the Canadian economy is showing signs of sputtering, held back to some extent by the Asian crisis. Resource industries are currently hardest hit as commodity prices and export volumes drop, only partly offset by a lower Canadian dollar. Just as important, postponed non-residential investment intentions are hurting other industrial sectors. The impact of the Asian crisis is slowly spreading in Canada, from west to east, from the primary to the manufacturing and service industries. Fortunately, this impact is being offset as the U.S. economy continues to steam ahead, albeit also at a more moderate pace. The upshot is that Canadian economic growth will be muddled as long as the Asian financial crisis prevails, which may be several more months.

Job gains will be more moderate

The slowdown in export and investment growth will eventually

mean more modest job creation in related industries. Job gains is expected to wind up close to the 350,000 mark this year but slow to 270,000 next year. Most of this increase will be full-time employment. Job creation impacts on housing normally take several quarters to progress.

Mortgage rates to rise... then fall

Pressures coming from the currency have, and are expected to cause short-term interest rates to rise moderately in the second half of this year. However, a slowdown of economic growth in the United States may ease pressure on Canadian rates and the Canadian dollar in the fourth quarter. Next year, short and long term rates should ease as slower growth takes place in both the U.S. and Canada. Mortgage lenders are expected to continue to set mortgage rates about 160-170 basis points (bps) over comparable Government of Canada Treasury Bill (TB) and Bond (GOC) yields. Notwithstanding temporary spikes, the one-year mortgage rate is expected to be in the 6.75-7.25 per cent range throughout the second half of this year and next. The three-year rate is forecast to be in the 7.00-7.50 per cent range over the same period. The five-year rate will remain in the 6.75-7.50 per cent range in 1998 and 1999.

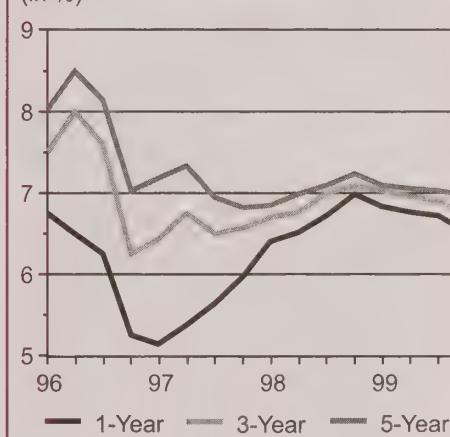
Healthy consumer confidence will be critical

Despite low interest rates and continued positive prospects in employment, consumer confidence will remain the key to continued strength in housing markets. This confidence, however, may be quite fragile given higher-than-usual

uncertainty. Although not part of our base scenario, the volatile stock markets and a low Canadian dollar could be enough to spook consumers away from spending on big ticket items such as homes and push housing activity lower.

As a backdrop to the economics, population trends are also pressuring housing requirements. Over the last five years alone, more than a million persons have migrated to Canada. The level of migration, combined with natural population gains of about 800,000 persons over the same period, would suggest new housing construction much above what we have seen since 1993. This would indicate upside potential which could be realized if the economics were more favorable over several years.

Mortgage rates will rise but only moderately (in %)



SOURCES: Bank of Canada; 1998-99 CMHC forecast.

Housing Outlook 1998-99

Home building this year will match last year's pace

Total housing starts this year are expected to remain essentially unchanged from last year's level,

reaching 145,900 units, despite strong job creation and low mortgage rates which would normally dictate higher starts activity. Total starts are expected to be only moderately higher at 150,100 units next year. The disappointing outlook reflects a combination of factors, many of which will likely persist through 1999:

- Ontario which was hit with labour strife during the peak home building season this year and recovers only partially later,
- only modest population growth and job creation in the key younger age groups most likely to rent or buy for the first time during 1998,
- high consumer debt loads only partially offset with high but riskier financial investments,
- uneven economic growth from province to province with B.C. hit more severely by the Asian financial crisis,
- excess supplies for rental accommodation in many urban centres, particularly in the eastern half of the country.

Resale volumes falter but prices increase

The existing home market is not expected to fare any better than the new, for many of the same reasons. Sales through the MLS system are expected to drop to 307,700 transactions, a decrease of 6.7 per cent over the 1997 record level of 329,898. Sales volumes will remain below the 310,000 mark through 1999. The Ontario construction strife has hurt resale volume to the extent that transactions may have involved directly or indirectly ownership of a new home. Depletion of the pool of first-time buyers having taken advantage of record high affordability in 1997 has also dampened resales.

Even in this environment of weaker sales volume, the national average price of transactions of existing homes is expected to ratchet up 2 per cent to \$157,700 in 1998 and another 3.3 per cent to \$163,000 in 1999, surpassing the previous 1994 record of \$158,309. The average price gains will reflect several trends:

- a change in mix of buyers, away from first-time buyers and toward more repeat buyers,
- a greater concentration of transactions in the higher-priced markets,
- actual price appreciation due to an improved balance between buyers and sellers in most markets.

Price changes will also be limited in the new home market, with the average up close to 2 per cent in both 1998 and 1999. Such price growth will be the highest this decade, but will still fail to bring new home prices above 1990 levels.

Multiples will gain in popularity

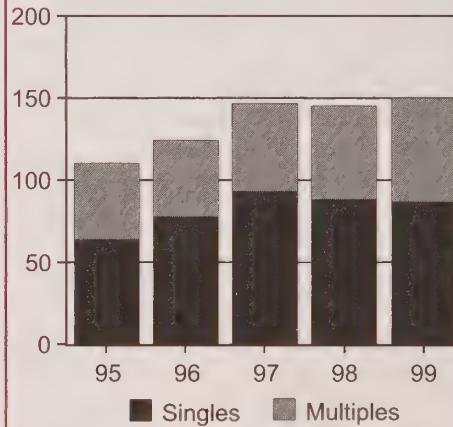
Home buying affordability, which will retreat from record high levels in early 1997, will dampen overall housing demand but also tilt buying preferences away from the higher-priced single-detached units and toward the semi-detached, row, and apartment type dwellings. As a result there will be fewer starts of single-detached homes, down 4.7 per cent to 88,800 units in 1998 and down another 1.8 per cent to 87,200 in 1999. In contrast, multiple-type dwellings will gain in popularity and lift multiples starts 5.8 per cent to 57,000 units this year and another 10.4 per cent to 62,900 units next year. Condominiums and other owned home units will represent the bulk of new multiples construction.

Unoccupied inventory expected to remain in check

Inventory levels of newly completed and unoccupied units will creep up over the projection period but will remain in a tight range considering the sales pace. This will tend to reinforce upward price movement in the new home market. Inventory levels of existing vacant rental units, as measured by rental vacancy rates, will trend down as demand for this type of accommodation slowly rises and as supply is partly converted into condominiums. In general, vacancy rates will fall throughout the country but still will not be low enough to support higher yields in rental properties and therefore new development in most urban centres until 1999.

Multiples to sustain new home construction

(thousands of starts)



SOURCE: CMHC.
1998-1999 Forecast.

Ontario and the Prairies will lead the country

Despite construction labour strikes, Ontario is forecast to enjoy the most significant gains in new construction this year and next, mainly due to the strength of its job-creating economy,

higher migration and a housing market closer to balance with relatively low inventories. The housing starts pace will progress higher in 1998 and 1999 with the average as much as 11 per cent above that in 1997.

The torrid construction pace in Alberta earlier this year will not be sustained through 1999 but the average pace will still beat that in 1997. More moderate expansion of its labour market will tend to dampen new housing demand. Construction is also set to peak this year and fall next year in Manitoba while home

building will remain near the 1997 plateau in Saskatchewan.

Despite improving fortunes in the job market, starts activity in the Atlantic region will average below 1997 levels in 1998 and 1999 due in part to relatively high inventories of new and existing unoccupied dwellings. Newfoundland will be the exception, with its housing market benefitting from a population exodus from rural to urban centres.

In the Quebec market, residential construction will fluctuate around the 1997 pace through most of the forecast period. Moderating job growth will limit housing demand

while housing supply remains more than adequate.

Construction will slump 26.4 per cent in British Columbia to a 12-year low of 21,600 units in 1998 only to rebound 6.5 per cent to 23,000 units in 1999. The Asian financial crisis has hurt the B.C. economy the most of all provinces through much reduced export earnings. ■

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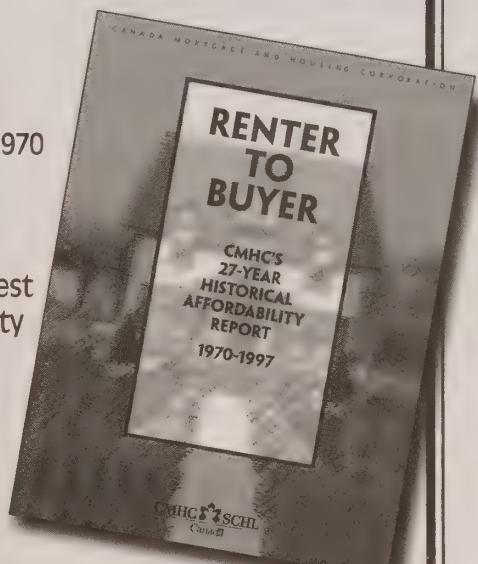
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CONSUMER CONFIDENCE: A LIMITED IMPACT ON HOUSING MARKETS

by Ali Manouchehri

It has often been assumed that rising consumer confidence leads to increased spending. Analysis reveals that consumer confidence has less of an effect on housing markets than was previously thought, and that the limited impact that does exist is greater for new construction than for resales, though the effects take longer to become apparent.

It is a truism that consumer confidence and housing markets are related. According to a common hypothesis, consumers spend more money on housing as they become more confident about the economy. However, there is a surprising reciprocal relationship between these two indicators: each influences the other, though with some lag.

Table 1 — Correlations

	Home Sales	Housing Starts
Consumer attitudes	0.38	0.51
Financially better off	0.16	0.58
Good time to buy a house	0.66	0.16

* Each value in the table shows how the two variables in question move together based on the 1980-98 data. A zero implies no correlation while 1.00 reflects perfect positive correlation.

Source: CMHC

Consumer confidence and the resale market

In the past decade, the relationship between home sales and the Index of Consumer Attitudes has been tenuous. Three out of four times since 1988, a sustained drop in consumer confidence (defined as two successive quarterly declines in the Index of Consumer Attitudes) has followed a sustained decline in home sales, not preceded it, as might be expected. Sustained recovery of consumer confidence has been just as unreliable a precursor of home sales.

The weak relationship between these factors can be explained by the fact that rising consumer confidence does not translate into home purchases unless employment and income growth

Consumer confidence and home sales



Source: CMHC, The Conference Board of Canada, and Canadian Real Estate Association.

Data is quarterly and seasonally adjusted.

are also strong at the same time. Home sales normally respond to changes in consumer confidence after three to nine months. Thus, consumer confidence is of limited use in forecasting resale activity.

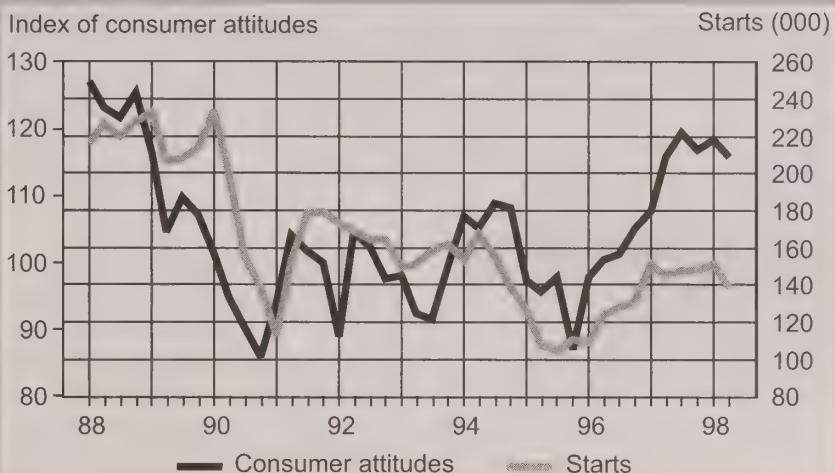
The relationship between home purchases and the perception of consumers that their own financial position will improve is even weaker. On the other hand when the consumers think it is a good time for them to purchase a home, they do so within three to six months (see Table 1.)

Improving consumer confidence helps home building

The relationship between housing starts and consumer confidence is somewhat stronger than between home resales and consumer confidence.

A sustained improvement in consumer confidence has preceded a sustained increase in home building some 40 per cent of the time since 1980. On the other hand, 60 per cent of the time in that period, when the

Rising consumer confidence bodes well for new construction



Source: CMHC, The Conference Board of Canada.
Data is quarterly and seasonally adjusted.

Index of Consumer Attitudes has dropped for two successive quarters, so has home construction. This suggests that consumer confidence plays more of a role in a negative economic environment than in a period of economic growth and rising confidence.

Housing starts follow changes in the Index of Consumer Attitudes after a lag of three to twelve months. Starts also increase when consumers believe their financial position will improve in the near future.■

Newfoundland

by Brian Martin and Darrin Keough



Highlights

- Economic expansion well under way
- Decline in urban housing starts only short-term
- Resale market remains buoyant

Housing markets record mixed first-half performance

The performance of provincial housing markets was mixed during the first six months of 1998. Sales of existing homes continued to forge ahead while residential construction activity remained depressed. The decline in provincial starts reflected weakness during the first quarter. Starts in rural areas experienced healthy growth between April and June, posting their first quarterly gain since the latter part of 1996.

Unexpected strength in rural Newfoundland more than offset an 18.3 per cent loss in urban centres and resulted in modest province-wide gains in the second quarter. The major factors behind this were a successful start to some of the more lucrative fisheries, such as crab and shrimp, and sustained employment growth. Most of the gains in rural starts were recorded in larger communities that act as service centres for outlying areas. For the first half of the year overall, housing starts within the province were down 10.6 per cent, as both single-detached and multiple unit construction declined.

Following slight monthly declines throughout most of the first half, provincial MLS sales surged ahead during the latter part of the second quarter and reached record levels in June. The resale market benefitted from its traditional price advantage, widespread employment gains and continued consumer optimism. An influx of move-up buyers to the market pushed the average MLS price in the St. John's region up by a modest 0.8 per cent by mid-year. Healthy gains in central Newfoundland, where MLS sales increased by just over 50 per cent, resulted in another record-breaking performance during the first half of 1998.

economic growth, other factors will affect rural areas. The recently announced fishery restructuring and adjustment measures will inject millions of dollars into the pockets of fishery workers in lump-sum payments. However, not all of this money will be spent in rural Newfoundland, as more displaced individuals are expected to leave their communities in search of stable employment. Nevertheless, the approximately \$350 million in assistance will fuel healthy gains in personal income this year. Associated spinoff activities should also boost an already strong employment forecast.

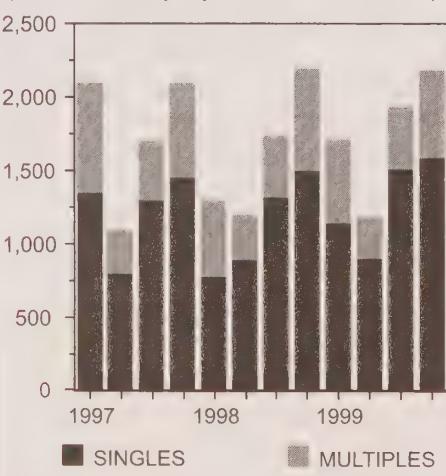
Although Newfoundland's ground fisheries are struggling, other fisheries are helping to take up the slack. The value of fish landings will exceed \$300 million this year, and could reach a record high, depending on the success of the shrimp fishery. With significant increases this year, employment in fish harvesting and secondary processing has reached its highest mid-year level since 1993.

The value of mineral shipments from Newfoundland surpassed the \$1 billion mark last year and is expected to grow again in 1998, marking the fifth year of expansion. Terra Nova, Newfoundland's second major oil and gas development, will also contribute to economic growth this year and next. Approximately \$1.5 billion will be invested in Terra Nova before the end of 1999, generating roughly 1,000 person-years of employment.

Mobility assistance grants to help fishery workers move to find new employment will maintain out-migration at high levels over the forecast period. Although the movement from rural areas will benefit urban centres, it is expected

Housing Starts NEWFOUNDLAND

(units, seasonally adjusted at an annual rate)



1998-99 Outlook

Decision time for province's fishers

Some major events over the next two years will have a critical effect on Newfoundland's economy. Although megaprojects like Hibernia and Terra Nova (and possibly Voisey's Bay) will place the province among the leaders in

that the vast majority of affected workers will continue to leave the province.

Starts recovery on the horizon

While the unusually strong gains in rural area starts during the second quarter will not be maintained, there is cause for some optimism. The residential construction industry in rural Newfoundland should be mildly stimulated by demand from workers who can once again make long-term plans thanks to the restructuring and adjustment measures. However, the high level of out-migration from the province is expected to temper any recovery in rural starts.

In contrast to conditions in rural Newfoundland, the roughly 20 per cent dip in urban starts so far this year is expected to be followed by a rebound during the second half, initiating a prolonged period of growth. This turnaround in urban centres will be largely due to sustained employment growth, low mortgage rates, increased move-up activity and the movement of persons from rural areas. Despite these positive developments, provincial housing starts are still expected to remain soft, at around 1,675 units this year. As the economic recovery gathers momentum, however, provincial housing starts are expected to advance 7.5 per cent to 1,800 units in 1999.

Second half gains will not totally offset early losses, with single-detached starts now forecast to fall marginally to 1,200 units in 1998. As more buyers move up next year, supplies of good-quality existing homes are expected to dwindle. As a result, starts of single-detached homes will expand to an estimated 1,350 units.

The continuing demographic shift toward more single parent and empty nester households will maintain demand for affordably priced semi-detached units. A diverse and expanding seniors market will also support additional supplies of good-quality apartment-style condominiums and rental units. An oversupply in most markets will, however, continue to limit investment in rental accommodation. Accordingly, multiple-unit construction will remain

unchanged at around 475 units this year before falling slightly to 450 units in 1999.

Resale market maintains momentum

Responding to favourable financing incentives, strong employment growth and renewed buyer optimism, the resale market will continue to expand over the forecast period. Provincial MLS sales will increase slightly to 2,200 units this year, largely on the strength of a healthy increase in central Newfoundland. New supplies of recently converted condominiums will also generate additional MLS sales, particularly during the latter part of the year. Next year, migration from rural areas and moderate income growth will stimulate the resale market in urban centres and provincial MLS sales will climb slightly to 2,250 units. Despite an expanding move-up market, an increase in average prices will continue to be moderated by an oversupply of existing homes and sales of lower price housing in areas outside St. John's.

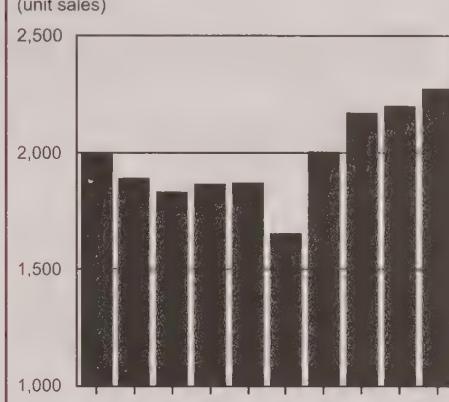
Rental market also improves

The mobility assistance grants for displaced fishery workers will result in increased migration to the St. John's region over the next couple of years. This movement to the city, combined with sustained employment growth, will gradually increase demand for rental

Residential MLS sales remain buoyant

NEWFOUNDLAND

(unit sales)



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

accommodations. Owners of local rental units will also benefit from reduced supply, as vacant rental stock continues to be converted to affordably priced condominiums. Competition from basement apartments is also expected to abate as the increase in the number of dwellings begins to moderate.

Accordingly, vacancy rates in larger rental structures within the St. John's CMA will edge down to 14 per cent in late 1998 and still farther, to around 12 per cent, by the latter part of 1999.

It should be noted that any further delay in the Voisey's Bay development will present some downside risk to the forecast for 1999. ■

Key Provincial Indicators

NEWFOUNDLAND	1997	1998 ^(F)	1999 ^(F)
Real GDP (% Change)	0.7	4.5	5.5
Employment (% Change)	1.1	4.0	2.5
Unemployment Rate (%)	18.8	17.1	16.1
Housing Starts (Units)			
Total	1696	1675	1800
Singles	1220	1200	1350
Multiples	476	475	450
MLS Sales (Units)	2170	2200	2250
Average MLS Price (Dollars)	92212	91500	92000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Prince Edward Island

by Ben Champoux



Highlights

- Existing home sales on record pace
- Slightly lower housing markets expected in 1998
- Renewed consumer confidence improves economic prospects

Existing home sales reached record levels

The resale market surged ahead during the first six months of 1998, to reach historic highs. Continued favourable home buying conditions have provided a significant boost to MLS sales. At the end of June, with the supply of resale homes remaining high, the

average MLS resale price has dropped 5.8 per cent off last year's pace.

The increased pace of existing home sales has slowed new construction down slightly, and the weaker resale prices have held back move-up activity and caused home owners to step up renovation activity.

Favourable borrowing rates and good prices have allowed many renters to make the jump and purchase their first home. Provincial MLS sales have reached 457 units so far this year, eclipsing the previous high of 322 units set during the first half of 1997. Year-to-date housing starts within the province are 2.4 per cent below 1997 levels. Slower growth in housing starts is also being influenced by a significant decline in non-residential investment spending activity following the completion of the Confederation Bridge.

1998-99 Outlook

Economic prospects remain encouraging for 1999

For the provincial economy, 1998 is a year of transition. In the last few years, strong economic growth has been stimulated by the construction of the Confederation Bridge. With the loss of that major stimulus, economic growth will weaken slightly until PEI adjusts to new market conditions.

Although the province has also suffered several job losses in the construction and seafood processing industries, there are encouraging signs

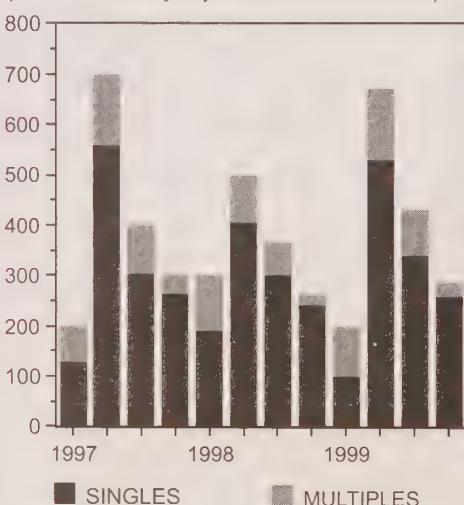
that recovery is taking shape. Retail sales and shipments of manufactured goods have shown considerable vigour this year, and employment has slowly begun to pick up. The number of people employed increased by 400 in the second quarter of 1998. Retail sales were 8.2 per cent higher in the first half of 1998 than in the same period last year. The major increase in retail sales is attributable to both stronger consumer confidence and the addition of a provincial government initiative to exempt clothing and footwear from sales tax.

Lower transportation costs and increased accessibility to PEI will benefit many key industries on the Island. The weaker Canadian dollar is also having positive effects on both exports and tourism. The agri-food processing industry is performing well so far this year, with Cavendish and McCain's plants operating at maximum capacity. As the result of a new agreement, Cavendish Farms' New Annan plant will supply processed potatoes to Wendy's fast food chain for an extra year. Economic activity is improving at the Souris Food Park, as Agra West's potato dehydration plant began production earlier this spring. Additional employment has been created at the expanded Wiebel Aerospace operation in Slementon Park. All of these factors are contributing to renewed consumer confidence.

On the downside, new measures aimed at raising lobster egg production will have the effect of reducing landings. Over the next three years, fishermen on the north shore will be

Housing Starts PRINCE EDWARD ISLAND

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.

1998-99 Forecast.

particularly affected by new federal standards enlarging the minimum size of lobsters. Most of the smaller catch is bought by the Island's own processing industry.

Public and private spending should match last year's. While the government announced no additional spending for 1998-99, taxes are also expected to remain at current levels. Overall, the PEI economy is forecast to increase by 1.0 per cent this year. Once the effect of the Fixed Link completion has passed, economic growth should return to a pace of 1.5 per cent in 1999.

Housing starts will be slightly lower in 1998

Resale markets will remain strong throughout 1998. Home buyers will continue to benefit from excellent resale market conditions. Low borrowing rates and an ample supply of existing housing at reduced prices will continue to attract potential home buyers away from new homes. Building for the speculative market remains risky for developers, and this is not expected to change during the second half of the year. Consequently, total single starts will not match 1997 levels.

Completion of the bridge has also resulted in an increase in out-migration this year, and this is reducing demand. The trend toward row housing of the last few years has not continued as expected so far in 1998. On the other hand, a significant jump in the construction of traditional apartment buildings was registered in the first half of 1998. Row housing construction is now expected to pick up during the second half as multiple construction decreases. The vacancy rate in the Charlottetown area should remain at around 4.0 per cent, with the decreased rental supply offset by out-migration. Overall, residential construction is not expected to

improve enough during the second half of 1998 to push the number of housing starts to last year's level of 470. The current forecast is for 430 starts.

Construction activity will rebuild in 1999

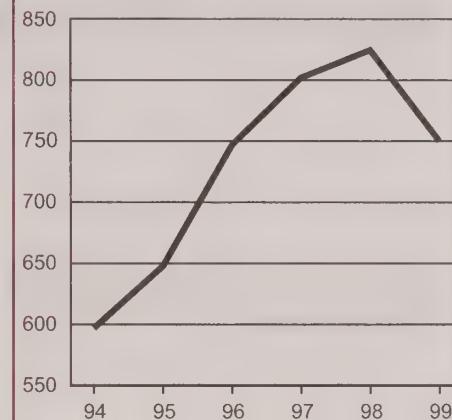
The Island is well on its way to another record-high tourism season in 1998, and tourism will continue to lead the economy in 1999. The low value of the Canadian dollar and a strong marketing campaign will attract more tourists from the other Canadian provinces and the New England states. Tourist revenues are expected to reach \$300 million this year, a 12 per cent rise over 1997. With a continued increase in the number of visitors, the construction of new lodging facilities can be expected. Construction of a provincial cancer treatment centre and a highway materials laboratory, recently announced by the government, should also stimulate employment growth.

Renewed confidence in the PEI economy will slowly increase the demand for new homes. If the supply of existing homes decreases next year, as expected, buyer's market conditions will diminish and the average MLS

Sales of existing homes remain strong

PRINCE EDWARD ISLAND

(unit sales)



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

sales price will increase. Net migration will be positive again in 1999, as the Island's economy improves. Mortgage rates are expected to remain low next year and employment is expected to rise, thereby providing support for housing starts to improve to the 1997 level of 470 starts. ■

Key Provincial Indicators

PRINCE EDWARD ISLAND	1997	1998 ^(F)	1999 ^(F)
Real GDP (% Change)	1.3	1.0	1.5
Employment (% Change)	1.7	-0.5	1.3
Unemployment Rate (%)	14.9	14.5	14.0
Housing Starts (Units)			
Total	470	430	470
Singles	374	355	375
Multiples	96	75	95
MLS Sales (Units)	806	825	750
Average MLS Price (Dollars)	86352	79500	82000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Nova Scotia

by Todd Selby and David McCulloch



Highlights

- Strong job growth to continue
- Pace of resales to improve
- New house construction to grow in '99

Housing markets fail to keep up with economy

Despite strong economic growth during the first half of the year, Nova Scotia's housing markets failed to keep up with an economy considered strong. Activity in the resale market slowed by almost 6.0 per cent, with a notable decline in demand from first-time buyers. On a more positive note, move-up buyers have been buying more existing homes. Led by rising prices in Halifax, the average resale

house price has risen by more than 1.0 per cent.

News about new construction was no more positive than about the resale market during the first six months of 1998. New house construction in Nova Scotia remains in a slump that has persisted since the spring of 1997, and this quarter there was a 51 per cent drop in housing starts.

Underlying the continued weakness of the home building industry has been reduced demand from first-time buyers. This is partly a result of the flurry of activity that occurred when many of these buyers took advantage of a rebate program in late 1996 and early 1997. With fewer first-time buyers seeking existing homes, owners thinking of moving up have found it more difficult to sell. But there is positive news in the housing markets: move-up neighbourhoods are showing signs of life and the renovation market is picking up much of the slack. These positive factors are reflected in the almost \$100 million issued for residential building permits since January of this year.

1998-99 Outlook

Construction and tourism bolster strong growth

Two sectors, construction and tourism, give cause for optimism in the provincial economic forecast through 1998 and 1999. The \$1.8 billion construction phase of the Sable Offshore Energy Project is well under way. Sable will fuel growth in the

construction sector as the pipeline, platforms and natural gas processing plants in Goldboro and Port Hawkesbury are assembled for November 1999 production. It is anticipated that the project will create 7,000 jobs. This will help boost 1998 employment by 2.8 per cent to 404,000, and by a further 1.0 per cent in 1999, to 407,000. Sable-related employment opportunities will also draw workers to the province, easing the interprovincial exodus of Nova Scotians and contributing to net immigration of 400 residents in 1998 and nearly 1000 in 1999.

In addition to Sable Gas, the \$360 million public school construction and renovation initiative has begun in earnest. Under this initiative, 31 new schools will be built across Nova Scotia in the next three years, including several in rural communities, which will benefit from short-term economic spinoffs.

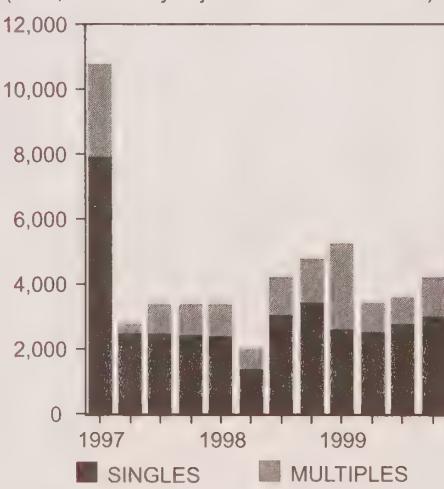
All indicators suggest that the tourism industry, which saw record revenues of \$1.4 billion in 1997, will build on this performance for another record year in 1998. Many foreign tourists will be taking advantage of the weak Canadian dollar to see more of the province. This will provide an important economic stimulus to areas such as Cape Breton and the South Shore, which have been struggling to recover from the collapse of the fishery.

A strong overall economic performance, led by the construction phase of the Sable Gas project, will result in positive net migration, increased employment and revenue

Housing Starts

NOVA SCOTIA

(units, seasonally adjusted at an annual rate)

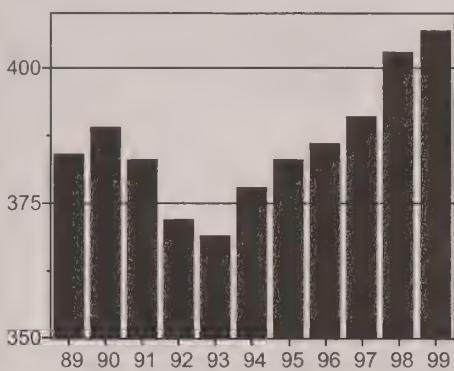


SOURCE: CMHC.
1998-99 Forecast.

Employment continues to grow

NOVA SCOTIA

(thousands of jobs)



SOURCE: Statistics Canada.
1998-99 forecast by CMHC.

growth in the service sector. Much of this growth will occur in last quarter of 1998 and continue through the autumn of 1999.

Strong economy to boost resales

Strong economic growth brought about by the Sable Island Gas project will lead to renewed growth in the sale of existing homes during the second half of 1998. The pace of activity will recover from the drop in resales during the first half of the year and will rebound to reach 7,700 for the year as a whole, a modest increase over 1997 totals.

A couple of Sable spinoffs will contribute to this improvement as the year progresses. First, net migration to Nova Scotia will improve this year as people arrive to look for work on the Sable project or are affected by the increased job opportunities. Many of these people will need to be housed, and because a good number of the new jobs will be higher paying, many new residents will take advantage of Nova Scotia's affordable housing stock. Second, the Sable project has created a sense of security for many Nova Scotia residents and resulted in rising consumer confidence. Consequently, more residents will consider moving up into a larger home this year.

As the area most directly affected by the Sable project, Northern Nova Scotia will lead the province in resales. The existing homes market is expected to grow by over 10 per cent this year, to top 850 sales. Halifax will also improve modestly this year, as much of the contract work for Sable is done in the area and move-up buyers continue to take a more active role in the market. The Annapolis Valley will also post an improvement this year, largely thanks to its position as an attractive retirement destination.

From a price perspective, the prominence of move-up buyers and rising demand in areas benefitting from Sable will mean healthy price growth for the rest of the year. House prices should top \$98,000 in 1998 and \$100,000 by 1999.

Strong second half forecast for residential construction industry

All signs indicate that new house construction will recover from a 51 per cent drop in activity during the first half of 1998 to post a healthy gain during the latter half of the year. However, even with the increased pace of activity, housing starts will fall to 3,500 units this year, an 8.0 per cent drop from last year.

The decline in home building will be a result of the slowdown in demand for new single-family homes during

the first six months of 1998. The outlook for the remainder of this year, however, is quite positive, as increasing demand from first-time buyers will allow move-up buyers to sell their home and build a new one. The decline in home building will be minimized by the increased level of activity for multi-family homes. Developers who hope to explore new market niches and take advantage of strong migration flows will add 1,000 multiple family homes this year, a 14 per cent increase over 1997.

Rental vacancies to decline in '98

Notwithstanding the increased level of multiple development, Nova Scotia's vacancy rate will decline for the second year in a row. Underlying the lower level of vacancies will be an increase in demand from recent migrants to Nova Scotia combined with a reduction in the number of renters looking at the home ownership option. More importantly, developers are targeting the needs of the emerging seniors market. Many seniors who have been home owners are eager to get away from the maintenance chores involved in owning a home. This group will absorb much of the new rental stock, while migrants move into some of the older stock. As a result, rental demand growth will stay ahead of growth in the supply of rentals. ■

Key Provincial Indicators

NOVA SCOTIA	1997	1998 ^(F)	1999 ^(F)
Real GDP (% Change)	2.0	3.3	2.7
Employment (% Change)	1.8	3.0	1.0
Unemployment Rate (%)	12.2	10.7	10.6
Housing Starts (Units)			
Total	3813	3500	3850
Singles	2939	2500	2750
Multiples	874	1000	1100
MLS Sales (Units)	7567	7700	8300
Average MLS Price (Dollars)	96696	98000	100000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

New Brunswick

by Laurie Gosselin



Highlights

- Consumers optimism builds
- Strong employment growth expected
- New home market will rebound in 1999
- Vacancy rates ease in 1999

Housing demand off in first half of 1998

Realtors around the province continue to benefit from strong sales activity and consumer confidence. Sales in the existing market, while down 2.0 per cent in the first half of the year, are gaining momentum. Sales at record levels in the Greater Moncton area and near record levels in Saint John have kept the resale market on track.

House prices slipped in the first quarter after reaching \$87,000 in

1997, but are starting to recover as supply eases. New listings of homes, down 2.0 per cent at the end of June, will continue to trend down. The combination of strong home sales and slower growth in supply will keep prices close to last year's level.

In the first half of 1998, total housing starts in New Brunswick fell almost 17 per cent below those of the first half of 1997. Heavy snowfalls and ice storms practically halted construction activity in the first quarter, with starts 39 per cent below levels of the previous year. In the second quarter, singles home building advanced in urban centres but this was more than offset by a dramatic decline in rural starts.

Construction of multiple units fell by 50 per cent in the first six months of the year. The largest decline was in rental units in the Moncton market. Developers in Fredericton offset the overall declines in other market areas by more than doubling their level of multiple activity. There were 64 apartment units started in the province in the first half of the year, compared to 158 in the same period last year.

1998-1999 Outlook

Consumer optimism builds

New Brunswick's economy is expected to improve significantly over the next two years. Provincial gross domestic product, below 1.0 per cent in 1997, will rise to 2.4 per cent this year and 2.8 per cent in 1999.

Consumer confidence has been lagging, but it is set to improve as

employment opportunities materialize. Renewed local optimism is indicated by retail trade and auto sales, both of which have exceeded the national growth rate.

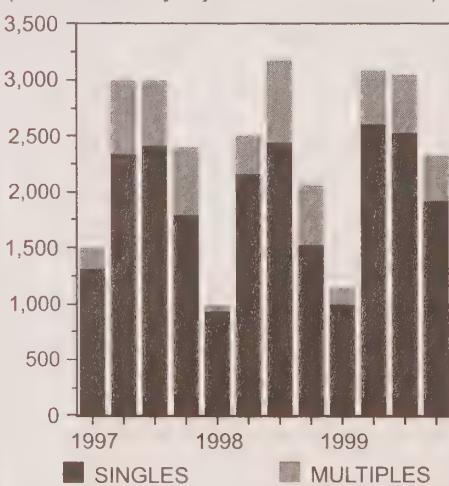
Significant gains in the construction and manufacturing sectors this year will outweigh weaknesses in forestry and mining. On the downside, increased lumber production in the opening quarter of the year was more than offset by a decline of nearly 11 per cent in pulp production. In the face of soft international markets, the mining industry is also under-producing, following the loss of the Sussex mine last year.

With several major projects getting under way, the construction sector will carry the provincial economy over the next two years. Plans are in place to increase spending on highway infrastructure. Maritime Road Development Corporation is on track to develop and eventually run the four-lane toll highway between Moncton and Fredericton. Construction of this four-year, \$584 million project will be a key factor in boosting the provincial job market. Employment overall will increase 2.0 per cent this year and a further 1.6 per cent in 1999.

On the energy side, Maritime and Northeast Pipeline are set to begin construction on the \$1 billion Sable Island natural gas pipeline this year. Approximately 1,500 direct and indirect jobs will be created by the estimated \$250 million spent on this project in the province.

Housing Starts NEW BRUNSWICK

(units, seasonally adjusted at an annual rate)

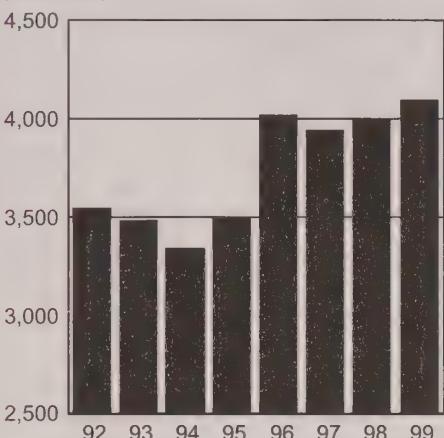


SOURCE: CMHC.
1998-99 Forecast.

Residential MLS sales remain strong

NEW BRUNSWICK

(unit sales)



SOURCE: Canadian Real Estate Association
1998-99 forecast by CMHC.

Resale market set for another good year

While real estate agents will reap the benefits from another near-record level of sales in the province, builders will have to wait until next year to capture their share. Sales of existing homes in the province are expected to match the record level set in 1996. With job prospects improving, buyers will enter the market with more confidence in the second half of 1998, boosting sales to the 4,000 mark.

Moncton is expected to capture the lion's share of sales in the province this year. Existing home sales are expected to exceed the record level of sales set in 1996. A growing inventory of homes in the Moncton market has provided prospective buyers with more selection and bargaining power.

With resale markets in the province favouring buyers, house prices will show limited growth over the next two years. The average price of homes sold through the local real estate boards around New Brunswick will reach \$87,500 this year and \$89,000 in 1999. Price increases will

be attributable to a drop in the proportion of first-time home sales, but will be tempered by more discounting of higher priced homes.

Home-building will pick up in 1999

An ample supply of listings on the resale market has limited opportunities for home builders in New Brunswick. It will not be until 1999 that residential construction will improve. At the close of 1998, the supply of existing homes will start to trend down and, with fewer quality homes available, market conditions will be more favourable to builders.

Construction of single-family homes will not increase as expected earlier in the year. The downward trend in rural starts will carry on throughout the year before turning around next year. Single-family construction will decline to 2,000 this year and rise to 2,250 in 1999. Stronger economic conditions in the coming months will continue to boost activity in the major urban centres of the province.

Low-maintenance quality living

A new trend is emerging in the apartment and townhouse market. New Brunswick's aging population have their sights set on quality,

maintenance-free living. Developers targeting the baby-boom generation are especially busy in the city of Fredericton. As the townhouse market gains greater acceptance, developers will be busy. Although there will be fewer apartment starts in the next two years, development that does take place will be at the high end.

Vacancy rates will ease in 1999

Rental market conditions in the province will improve in 1999 once the Fredericton-to-Moncton highway project gets on track and the natural gas pipeline begins. A stronger local economy will keep residents home. Interprovincial migration patterns have shown that more residents are moving to other provinces, as stronger economic conditions elsewhere are a strong lure. In 1997, the province lost almost 2,000 residents, and more are expected to leave this year before the trend turns around in 1999.

The pace of rental construction in the province will ease over the next two years, while construction of multiples in the home ownership market will increase. Improvements in the Saint John rental market bode well for the province. Vacancy rates have been over 8.0 per cent since 1994, but this apparent oversupply will decrease this year and next.■

Key Provincial Indicators

NEW BRUNSWICK	1997	1998(F)	1999(F)
Real GDP (% Change)	0.7	2.4	2.8
Employment (% Change)	1.0	1.9	1.6
Unemployment Rate (%)	12.8	12.4	12.2
Housing Starts (Units)			
Total	2702	2500	2700
Singles	2125	2000	2250
Multiples	577	500	450
MLS Sales (Units)	3941	4000	4100
Average MLS Price (Dollars)	87211	87500	89000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Quebec

by Bruno Duhamel



Highlights

- Construction to match 1997 level this year, slow down in 1999.
- Resales to decline in 1998, stabilize next year.
- Unemployment rate to decrease as job creation continues.

Housing market remains strong

After significant growth in 1997, the housing market remained strong in the second quarter of 1998, despite some slackening in the residential construction sector. Starts for all types

of housing were 4.8 per cent lower in the second quarter this year than last.

Total housing starts decreased to 10,100 units, mainly because the single-family segment declined by 5.6 per cent, even with move-up buyers in the market. Multiple housing starts also went down in the second quarter, by 3.2 per cent.

Following a pause in the second half of 1997, the resale market has begun to take off. At 14,296 units, MLS sales are 1.5 per cent higher than in the second quarter of 1997. The strength in resales occurred principally in the months following the ice storm.

Several economic factors, including low interest rates, still favour home purchases. On the other hand, a less vigorous than anticipated labour market and an unfavourable migratory surplus have acted as a counterbalance to affect the real estate activity forecast earlier this year.

improve its electrical distribution network. Later in the year, the private sector will invest to develop a new aluminum plant in the Saguenay and a magnesium plant in Asbestos.

Like other provinces, Quebec is dependent on exports, which currently benefit from the low level of the Canadian dollar. The strength of the U.S. economy will also support growth this year, although the pace of expansion of our principal business partner is expected to slow in the second half of the year.

The Quebec economy is relatively sheltered from Asian disturbances, since it is less and less dependent on the sale of raw materials. The pharmaceutical, telecommunication and aerospace sectors are currently in the forefront in the province.

Nevertheless, the overall growth of the Quebec economy will remain below the Canadian average, principally because of budgetary policies, which will curb household spending and dampen spending intentions.

Economic growth will have favourable repercussions on the labour market. In 1997, the increase in GDP encouraged job creation totalling about 47,000. In the second quarter of 1998, there were lesser gains, but still enough to sustain the real estate market. The unemployment rate is expected to decline from 11.4 per cent in 1997 to 10.7 and 10.3 per cent in 1998 and 1999.

1998-99 Outlook

Continued growth in 1998 and 1999

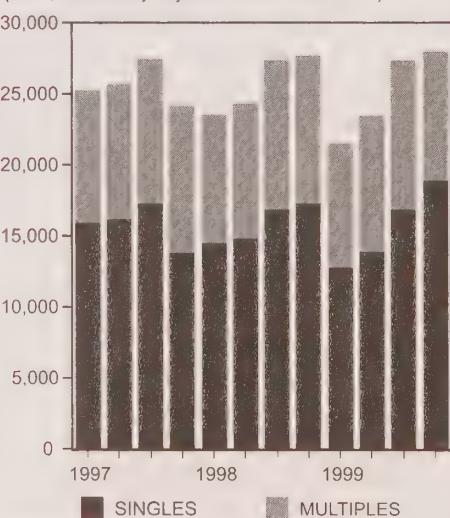
Economic growth will continue throughout this year and next. Gross domestic product (GDP) will increase by 2.6 per cent in 1998 and 2.4 per cent in 1999.

One big reason for this year's performance is the strength of non-residential investments — most significantly, Hydro-Québec's massive spending to restore and

Housing Starts

QUEBEC

(units, seasonally adjusted at an annual rate)

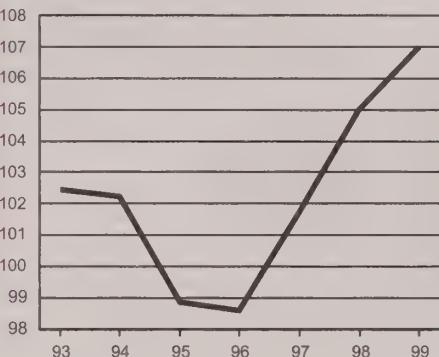


SOURCE: CMHC.
1998-99 Forecast.

Average MLS price on the rise for the next two years

QUEBEC

(thousands of dollars)



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

All in all, a good performance by the housing market

The strong growth of the real estate sector in 1997 will not be repeated in 1998 and 1999. The decline in pent-up demand is consistent with this view. In effect, purchases in recent years were made by households that had been putting off their decisions to buy in the hopes that more favourable conditions would arrive.

According to the latest data from the Conference Board of Canada, consumer confidence is high, but it may be tempered by more sluggish employment growth this year and next. Slower but sustained economic growth has helped confidence regain some ground after declines at the end of 1997.

Following an excellent year in 1997, sales will decrease in 1998 and then stabilize at around 36,800 units in 1999. Even with the expected declines, sales will remain above the general level of the last two decades. Move-up buyers are a significant presence, but their role in the market depends on the presence of first-time buyers.

With a slightly less vigorous resale market in the next two years, there will also be fewer single-family homes built. This type of construction will decline to about 14,650 units in 1998 and then to 11,550 in 1999. Total housing starts are expected to reach 26,000 units in 1998 and 25,300 in 1999. Most construction activity is likely to take place where land is most available, on the outskirts of Quebec's large centres.

The level of existing home sales, however, will favour renovation, which accounts for 60 per cent of construction spending. With a better balance between the number of houses for sale and the number of homes sold and a good proportion of more expensive properties sold, the average price will rise by 3.2 per cent to \$105,000 this year and then to \$107,000 in 1999.

Demographics and employment favourable to housing

Net migration will exceed the 1997 level in each of the next two years, reaching 5,000 in 1998 and 6,000 in 1999. In fact, already in the first quarter of 1998, net migration

surpassed the total for 1997. The most significant contribution will come

from international migration, which will continue to sustain housing demand. With steadily improving labour market conditions and generally favourable economic conditions, there should be fewer people moving to other provinces.

Rental market to pick up somewhat in 1999

In contrast to the anticipated decline in single starts, multiple housing starts will increase this year and next, reaching 11,350 in 1998 and 13,750 in 1999.

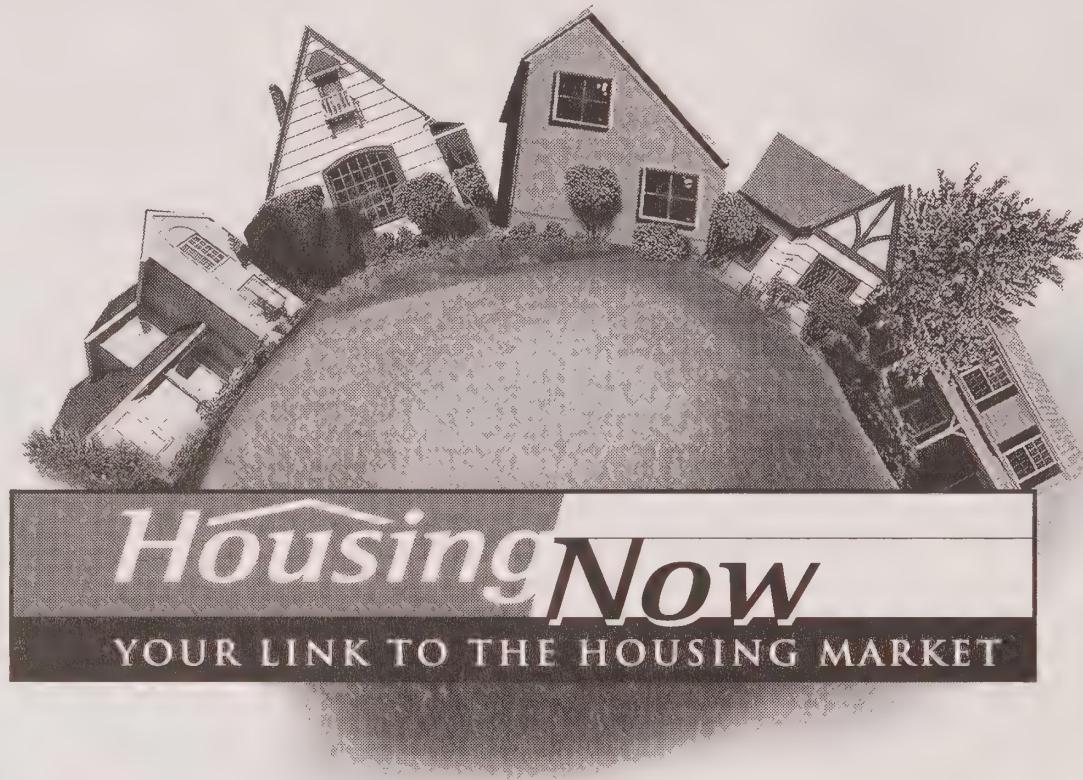
The condominium market should sustain a small decrease in 1998, to 2,500 new units, before posting a gain in 1999 to 3,700. With fewer units available and a steadily growing need generated by the aging of the population, this market will pick up slightly next year.

A small decrease in the vacancy rate is expected for the next two annual surveys. With rates in several market areas above the level that would indicate a balance between supply and demand, construction of new rental units will drop slightly this year to 2,500 units, before going back up to 3,500 units in 1999.■

Key Provincial Indicators

QUEBEC	1997	1998(F)	1999(F)
Real GDP (% Change)	2.6	2.6	2.4
Employment (% Change)	1.5	1.4	1.0
Unemployment Rate (%)	11.4	10.7	10.4
Housing Starts (Units)			
Total	25896	26000	25300
Singles	16073	14650	11550
Multiples	9823	11350	13750
MLS Sales (Units)	43405	36800	36900
Average MLS Price (Dollars)	101751	105000	107000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC



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CMHC SCHL
Canada

Ontario

by Alex Medow



Highlights

- Labour disputes slow construction
- Home prices will move up, higher starts next year
- Economy pauses on the tail of spectacular growth
- Three per cent rent increase guideline for existing tenants

Housing overview, first half of 1998

Labour disruptions in and around Toronto contributed to a 13.4 per cent drop in home starts in the second

quarter, after a six-and-a-half-year peak in the first quarter. Declines in both single-detached and multiple home construction were responsible for a drop in the province's seasonally adjusted annual rate (SAAR) of home starts, to 54,200 from 62,600 in the first quarter.

Six construction trades went on strike in the second quarter, slowing home construction and delaying the possession of new homes for thousands of home buyers. Members of the drywall union were the first to go on strike, on May 1, and were also the first to settle. Highrise trim carpenters settled next. Framing carpentry, concrete forming, and concrete and drain trades, who went on strike on June 1, reached tentative settlements with good prospects to return to work by the end of July. As of mid-August, only the sheet metal workers, who were the last to go on strike, had not yet reached an agreement.

Inventories of completed and unsold new row and apartment homes are modest. Inventories of single and semi-detached homes are moderate. None of these are likely to cause any construction slowdowns.

Home resale numbers began the year slightly lower than last year, but have now firmed up. A seller's market is suggested by the highest levels in over a year in the province's sales-to-new listings ratio. Resale market conditions vary across

Ontario's centres. Based on sales-to-new listings ratios conditions are tightest in Toronto and adjacent centres, including Hamilton, St. Catharines-Niagara, and Kitchener.

Home prices have edged up, but mortgage rates are low enough to keep mortgage carrying costs among the most affordable of the last two decades.

1998-99 Outlook

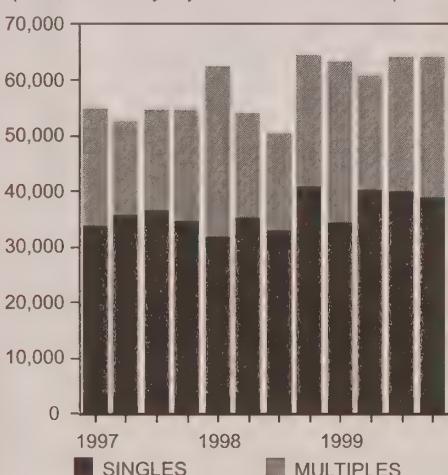
Economic and demographic fundamentals favour housing demand strength

Net migration to Ontario has been healthy, and job creation was above the national average from the beginning of 1997 until June. At that point, however, Ontario's economy paused. The province lost jobs in the Primary, Trade, and Business and Personal Services sectors, with the largest drop in the younger 15 to 24 age group. It should be pointed out that one month's decline does not negate the excellent job creation record of the last two years. Jobs were created at a 1.9 per cent rate in 1997, the highest of the decade, and the 1998 annual increase on the basis of job growth in the first half promises to be even stronger, close to 3.7 per cent.

Housing Starts

ONTARIO

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

What's hot in Ontario?

The provincial picture is one of consumer optimism in an environment of strong job creation, which will sustain the demand for both new and resale homes. Rising job levels and active resale markets will provide a boost to home construction. However, individual market performance will vary across the province.

The accompanying graph indexes CMHC's home starts predictions for Ontario's ten Census Metropolitan Areas. New home construction will be strongest in Hamilton, Toronto and adjacent markets — centres in which housing demand has been boosted by job growth.

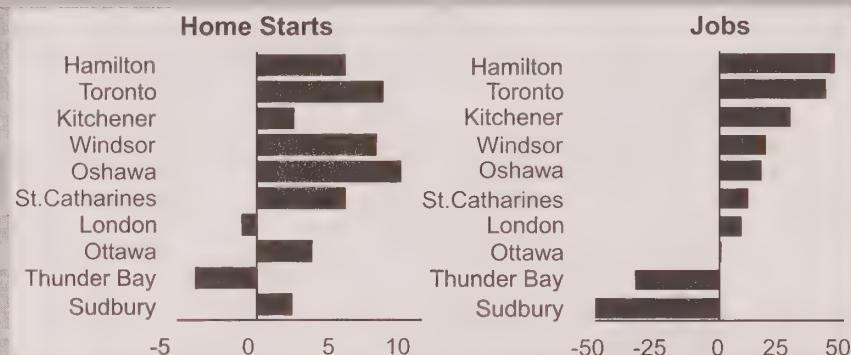
This employment picture is a departure from the experience throughout most of the 1990s, when job creation was especially slow in Toronto and nearby home markets. Job creation in Toronto started to outperform the rest of the province in 1997. Oshawa, Toronto, Hamilton, Windsor, St. Catharines and Ottawa will all have had significant job growth by next year.

Ontario's trend in the number of resale homes shows a spike at the beginning of last year followed by a dip at the end of 1997 and outset of 1998. More recent resale numbers have edged up and are fairly high, especially from a longer term historical perspective.

The accompanying graph shows tight resale market conditions (high sales-to-new listings ratios) in those markets where we expect construction to

Golden Horseshoe markets lead

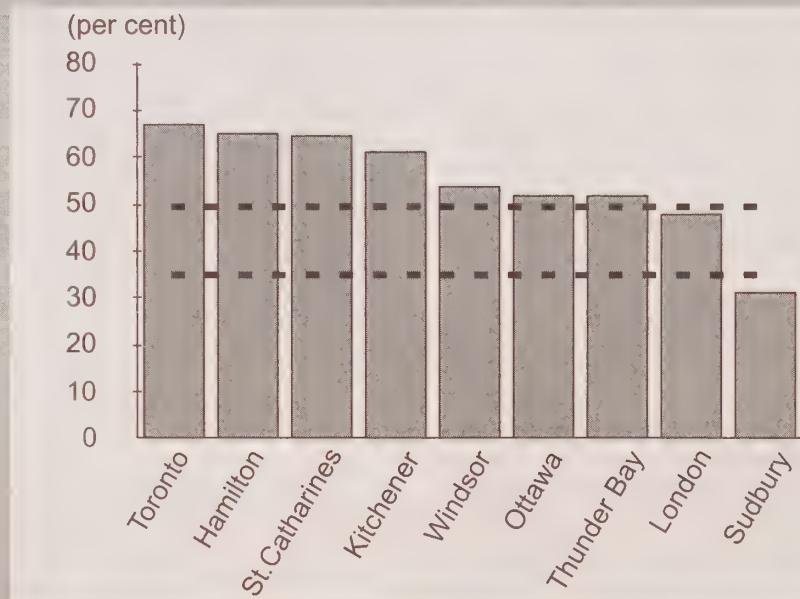
1998 forecasts as per cent change from 5-year average



Source: CMHC, Statistics Canada.

Hottest resale markets near Toronto

June sales-to-listings percentage, seasonally adjusted



Source: Canadian Real Estate Association.

be strongest — the centres surrounding Toronto. Centres with sales-to-new listings ratios above 50 per cent tend to have rising home prices, while those

with sales-to-new listings ratios below 35 per cent tend to have home price decline. ■

Confidence is running high among the province's consumers, albeit not as high as at the outset of the year. Ontario's Index of Consumer Attitudes inched down in the second quarter after skyrocketing in the first quarter. Retail and vehicle sales have flattened.

The labour force participation rate and the employment-to-population ratio are growing but are still low. This means that significant untapped labour resources remain. Expect housing demand to grow as more people enter the labour force and find jobs.

Housing will get back on track

Home starts will remain subdued in the third quarter as labour disputes are settled and home construction activity gets back on track. Housing starts for the year will move up by 5.4 per cent to 57,000 and will rise to 63,000 in 1999. Single starts should remain fairly flat this year. Multiple home construction will be boosted by affordable mortgage rates in combination with successful builder targeting of new town homes and condominiums to buyers in search of cost-competitive new homes.

Home prices are heading up. All New Home Price indexes, except in Sudbury-Thunder Bay, will move up

this year, and in 1999 all will rise. Resale market classification indicators, such as sales-to-new-listings ratios, suggest that home price increases in most of the province's markets will grow at only a slightly more moderate pace than last year.

Growth in resales will be constrained by a diminishing supply of existing homes, especially in the lower price ranges. As resale home prices grow, home buyers will increasingly turn to competitively priced new homes.

The latest available data from CMHC's October 1997 Rental Market Survey shows that Ontario's average vacancy rate has started to move

down. In the next decade, a growing younger population and economic growth will shift demand forces in favour of more rental construction. However, rental construction has been at a virtual standstill and will move up only a little this and next year.

In other developments, the provincial government announced Ontario's 1999 rent control guideline. Ontario landlords will be able to increase the rent of existing tenants by up to 3.0 per cent, the same as in 1998. Under a new law, rent controls are lifted once a tenant moves out. After a new tenant moves in, the rental unit is covered by the rent increase guideline again. ■

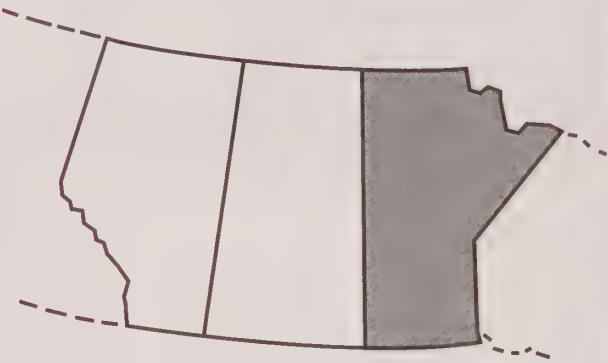
Key Provincial Indicators

ONTARIO	1997	1998(F)	1999(F)
Real GDP (% Change)	4.9	5.0	4.5
Employment (% Change)	1.9	3.7	3.0
Unemployment Rate (%)	8.5	7.0	6.3
Housing Starts (Units)			
Total	54072	57000	63000
Singles	35401	35500	39000
Multiples	18671	21500	24000
MLS Sales (Units)	140608	139000	143000
Average MLS Price (Dollars)	164382	171000	178000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC

Manitoba

by Brian Hollohan



Highlights

- Resale market maintains most of last year's gains
- Building activity to remain robust in 1998
- Weaker economic conditions will undercut 1999 housing activity

Strong first half in 1998 for housing markets

Manitoba housing markets were buoyant over the first half of 1998, with low interest rates and strong job markets boosting residential construction. Housing starts in large urban areas were 19 per cent above corresponding 1997 levels, at a seasonally adjusted annual rate

(SAAR). Second quarter starts were especially strong, reaching 2,990 units (SAAR), the highest quarterly level this decade.

The pace of new construction should ease in coming months. Indeed, a weakening trend was already evident in June, with 2,400 units, almost 30 per cent less than the April peak. Between January and May of this year, new housing prices, as measured by Statistics Canada's Winnipeg index, increased by 0.8 per cent, only half as much as over this period last year and roughly in line with the rise in resale prices.

increase in consumer demand this year. The level of employment is expected to advance just above 1.0 per cent in 1998, dampened by the weakness in commodity prices and softer export markets in Asia, which have resulted in some layoffs in the mining industry. With a modest improvement in commodity markets in 1999 and continued weakness in the dollar, the resource sector and job growth should brighten in 1999.

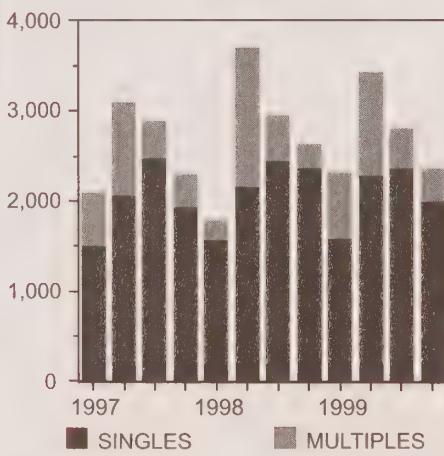
The manufacturing sector, however, continues to respond favourably to the low Canadian dollar and strong demand in North America. Over the first five months of the year, seasonally adjusted manufacturing shipments advanced 9.9 per cent from the same period last year, largely on the strength of a 31 per cent upturn in transportation activity and a 12 per cent increase in food production. Expansion in the agri-food business, such as the new Maple Leaf plant in Brandon, as well as ongoing efforts by Boeing and Bristol Aerospace to win contracts in the highly competitive air transportation industry, will continue to lift overall manufacturing shipments throughout this year and next.

While Manitoba job markets have tightened considerably in recent years, with the unemployment rate now at 5.7 per cent, the province continues to lose thousands of people each year to other provinces. This pattern is expected to remain through the balance of 1998, with much of the outflow going to Alberta. However, as the hot Alberta market normalizes in 1999, the net interprovincial outflow will ease. Total

Housing Starts

MANITOBA

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1998-99 Forecast.

1998-99 Outlook

Manitoba economy supports housing activity

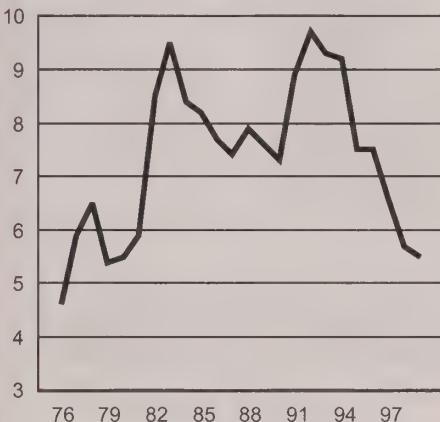
The Manitoba economy grew by 4.6 per cent in 1997, the third highest growth rate in the country and the province's strongest expansion since 1985. This year's projected growth of 2.7 per cent means that the provincial economy will have registered a five-year run of average annual growth in excess of 3.0 per cent. There is evidence, however, that the pace of growth is easing. Although April retail sales ran 6.0 per cent above last year's level, the year-to-date growth is a more moderate 3.8 per cent higher than in the corresponding period last year.

Strong net interprovincial out-migration and a slower pace of job creation can be expected to soften the

Unemployment rate dips to 20-year low

MANITOBA

(per cent)



SOURCE: Statistics Canada.

employment next year is projected to rise by 1.6 per cent, or 10,000 people, pushing the unemployment rate to 5.5 per cent. This should help lift income and confidence, boosting consumer outlays on housing and household furnishings.

Building activity hot in 1998, somewhat cooler in 1999

Low interest rates, together with a weak currency, a strong U.S. economy, rising employment and high consumer confidence will help solidify another good year for the Manitoba economy. Housing markets in Manitoba will benefit from these sound economic conditions. New housing starts are expected to rise for the third successive year to reach 2,850 units, some 9.1 per cent above the 1997 level. Starts are expected to measure 2,730 units in 1999, down slightly from 1998 but well above 1997 levels.

Most of the momentum is in multiple-unit dwellings, where projected growth of 13.8 per cent will

bring new starts to 675 units in 1998. Over the first half of this year, almost two thirds of this activity was in Winnipeg, where an aging population and solid income gains are resulting in a growing demand for smaller, high-quality, low-maintenance residences such as condominiums and life-lease units.

There is good underlying support for the multi-unit market. The overall vacancy rate in Winnipeg's privately owned apartments remains near 6.0 per cent; however, units with rents in excess of \$700 a month have a vacancy rate nearer 1.0 per cent. Moreover, vacancy rates in Brandon and Portage la Prairie are extremely low. By year end, Brandon's multiple-unit construction will receive a further lift from work on the \$112 million hog processing plant. The plant is to start production in mid 1999, employing some 1,150 people. Following the strong performance this year, total multi-unit construction is projected to ease slightly to a still-strong 650 units in 1999.

While multiple-unit construction will expand rapidly this year, single starts will grow at a more moderate but still healthy pace. Solid job gains, low interest rates and moderate price rises

are making houses very affordable. These factors, together with firm consumer confidence and pent-up demand, are underpinning single-unit construction. Province-wide, some 2,175 single units will be built this year, up 7.7 per cent from 1997. The relatively modest rise in singles compared to multiples is partly due to the large number of people that have been leaving the province. Net interprovincial out-migration, exceeding 6,000 last year and expected to reach 5,000 in 1998, will limit single starts this year and in 1999, when construction is expected to slip to 2,080 units.

The population outflow is also affecting resale markets. Unit sales are expected to slip to roughly 10,940 units in 1998, 2.0 per cent less than last year. While the pace of sales in the first half of the year was more than 4.0 per cent below last year's levels, it must be remembered that early 1997 saw a surge in resale activity. Favourable affordability levels should help markets improve over the balance of the year. Overall MLS prices are expected to rise 1.2 per cent this year to \$86,260, before slipping to \$86,000 in 1999.■

Key Provincial Indicators

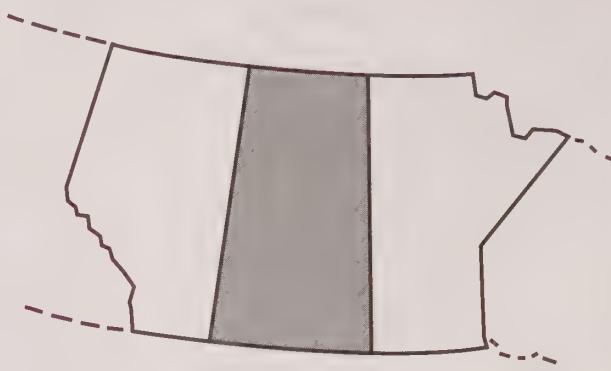
MANITOBA	1997	1998(F)	1999(F)
Real GDP (% Change)	4.2	2.7	2.5
Employment (% Change)	2.3	1.9	1.6
Unemployment Rate (%)	6.6	5.7	5.5
Housing Starts (Units)			
Total	2612	2850	2730
Singles	2019	2175	2080
Multiples	593	675	650
MLS Sales (Units)	11180	10940	10720
Average MLS Price (Dollars)	85403	86260	86000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Saskatchewan

by Paul Caton



Highlights

- Economy headed for soft landing
- Lagged effects of job growth drives housing markets
- Demographics and lifestyles become more important
- Rural home building recovers

Housing demand surpasses ten-year high

Saskatchewan housing markets continued strong in the first half of 1998, as new housing starts and average resale prices surpassed 1997 levels. Notwithstanding a slowdown in

job growth, demand for all forms of housing remains high. Property managers advise that vacancy rates are expected to return to less than three per cent in many Saskatchewan cities even with the usual summer slow down in rental demand. Rental increases, repairs and renovations are widespread, as owners capitalize on firm demand.

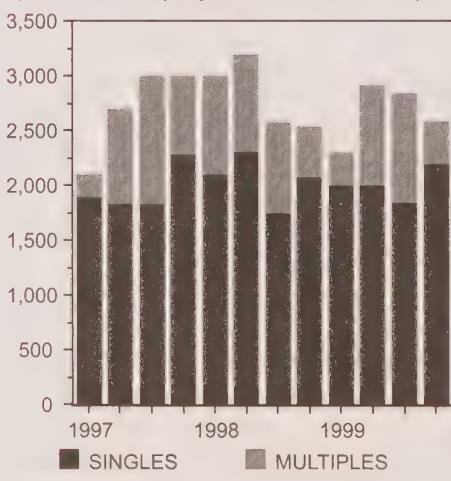
Almost every city in the province has seen steady increases in average resale price. With unit sales at last year's levels, real estate boards have commented on the shortage of good quality, affordable homes available. A lack of listings in some markets and the first signs of a slowing in economic growth may be contributing to a sales slowdown.

Housing starts are strongly ahead of last year's record pace, by more than 30 per cent at midyear. Much of the increase is in multiple dwellings. Construction of semi-detached, row and apartment units is up almost 50 per cent from 1997. Almost all of these new units are condominiums, as rents remain far below the level required to encourage new rental construction.

Another notable increase to date is in rural housing starts, which have almost doubled from last year. Higher prices and taxes for housing in urban centres are playing a role in this increase, as is the movement of some young people to the farm as parents retire.

Housing Starts SASKATCHEWAN

(units, seasonally adjusted at an annual rate)



1998-99 Outlook

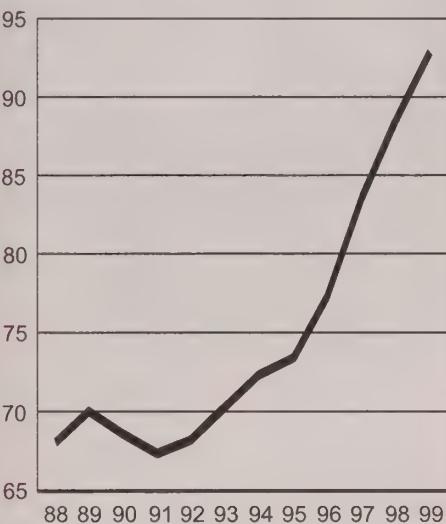
Soft landing expected for Saskatchewan economy

Strong demand for Saskatchewan's agricultural products and minerals over the last two years has begun to slow down in world markets, and the provincial economy is reaching a turning point. Global prices for the province's natural resources have declined with demand or in response to world oversupply. Oil drilling is off by more than 45 per cent. Lower grain prices have resulted in layoffs at some major manufacturing facilities for agricultural implements. Forestry product producers say the Asian economic situation has weakened demand for their products; however, U.S. purchasers, with a strong dollar, should find Canadian products attractive.

There are some bright spots in the economic outlook. While job growth is slower than it was last year, the provincial government goal of 10,000 new jobs seems within reach. More importantly, job growth in manufacturing is buoyant. With the world price of wheat falling dramatically, Saskatchewan farmers have shifted their emphasis to more profitable crops. Moreover, crops have benefited from rains in early July and are developing ahead of five year averages.

Resale prices soar SASKATCHEWAN

(thousands of dollars)



SOURCE: Canadian Real Estate Association.
1998-99 CMHC forecast.

While oil exploration is down, gas drilling is up, almost triple last year's numbers. Two major capital projects for the Lloydminster area have been announced. Expansion of the Husky upgrader facility is proceeding despite oil price declines, and a \$160 million cogeneration facility partnered with SaskPower is also going ahead.

Net out-migration has fallen to a fraction of that of the late 1980s, and the labour force is growing. Alberta, the traditional destination of Saskatchewan young people, is proving to be less attractive than in the past, particularly as a result of its scarcity of affordable housing. If the Alberta economy falters, the prospects are for more in-migration from that province as Saskatchewan young people return to the nest.

Housing demand stays firm

The economic growth of the past two years will have a positive impact on Saskatchewan housing markets.

Further, demographic factors and lifestyle changes will compensate for some portion of the current economic slowdown and play an increasingly important role in housing demand.

The persistence of vacancy rates at less than three per cent in most Saskatchewan cities will encourage property owners to increase rents. This will motivate many young families to look to home ownership as an option. Expansion of the five per cent down payment program has strengthened demand. These factors have built up demand for affordable resale housing, but the limited supply of these units has driven up prices for the most desirable areas and products.

Rising prices and dwindling inventories of resale housing will continue to benefit the new housing market. Faced with limited resale choices, buyers are turning to the new

housing market to meet their needs. Builders have responded to demand for lower-priced units by developing narrow lot designs and building in the rural areas beyond the urban centres.

Developers are finding a ready market for condominiums among Saskatchewan empty-nesters. As the population ages, we expect demand to increase for luxury and semi-luxury condominium and life-lease units. Saskatoon has been the centre of condominium development, but there are signs of a shift to Regina, where this market has yet to be fully exploited. Rising resale prices (providing more equity on sale) should motivate more of that city's empty-nesters to consider condominium or life-lease housing alternatives.

Another niche product emerging to satisfy consumer demand and taste is the single-family style condominium, offering partial care and housekeeping services and often developed on old school sites. ■

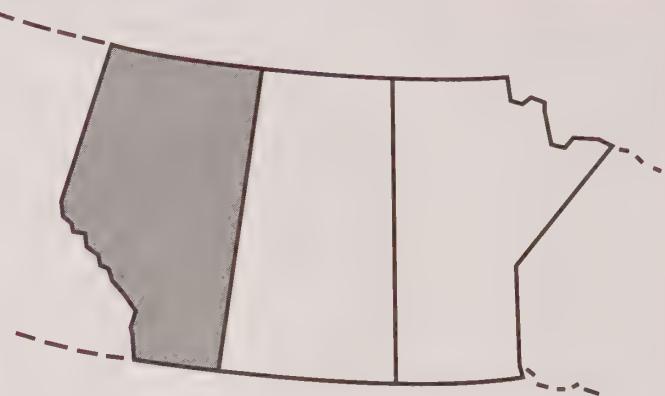
Key Provincial Indicators

SASKATCHEWAN	1997	1998(F)	1999(F)
Real GDP (% Change)	4.8	2.0	2.9
Employment (% Change)	2.8	2.1	1.7
Unemployment Rate (%)	6.0	5.1	4.7
Housing Starts (Units)			
Total	2757	2800	2700
Singles	1954	2040	2000
Multiples	803	760	700
MLS Sales (Units)	8346	8200	8100
Average MLS Price (Dollars)	83980	88500	93000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Alberta

by Richard Goatcher and Patricia Brunnen



Highlights

- Economic growth to slow in second half of '98
- Housing starts hit best year since 1981; decline expected in '99
- Resales fail to hit last year's record

Markets strong in first half

Despite concerns over soft commodity prices, Alberta's economy continued to expand in the first half of 1998. Strong in-migration and brisk job creation helped bolster demand for new homes. Total housing starts in

urban areas increased by 21 per cent while growth in single-detached construction led the nation. Sales of existing homes for the first five months of the year were ahead of last year's record pace. A shortage of listings in many communities during that time shifted the advantage toward sellers and drove up average resale prices by over 7.0 per cent.

prices has increased pressure on the industry, but has been partially offset by increases in natural gas prices. The price of benchmark West Texas Intermediate Crude averaged less than \$15.50 US a barrel in the first six months of 1998, down 28 per cent from \$21.40 US in the first half of 1997. However, because the Canadian dollar has declined by approximately 8.0 per cent, the lower price of crude has not affected Canadian producers as much as those in the US. If oil prices remain soft until the end of the year, as expected, there will be far fewer drilling rigs outfitted for oil exploration across Alberta.

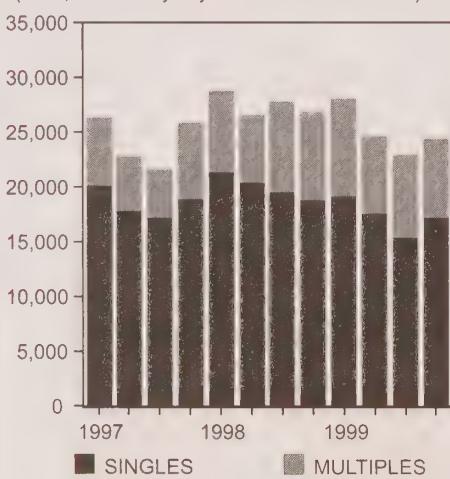
A number of major heavy oil projects have been announced for construction over the next five to ten years. Should weak oil prices continue, however, some of these projects may be put on hold. Development and expansion of natural gas pipeline capacity to the US will boost demand for new gas wells into 1999, thereby mitigating some of the negative effects of depressed oil prices. Natural gas prices are expected to hold firm, and the outlook remains favourable in light of the new pipeline capacity.

Near-historic levels of interprovincial migration reflect Alberta's robust economic performance. Low taxes, coupled with an unemployment rate expected to remain below 6.0 per cent, will continue to encourage in-migration. Over the balance of 1998, Alberta's net migration will remain strong at

Housing Starts

ALBERTA

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.

1998-99 Forecast.

1998-99 Outlook

Economic growth to continue

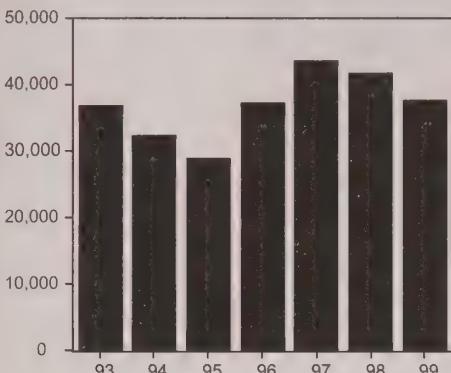
Although buoyant consumer and business confidence are major features of the provincial economy, the sharp drop in crude oil prices in late 1997 has been reining in economic growth. Carrying over momentum from last year, the economy will expand by 4.2 per cent in 1998 and create 46,000 new jobs. Solid employment growth and income gains are expected to stimulate consumer spending and retail sales into 1999. With a mild uptick expected in interest rates, the economy should slow somewhat to about 2.3 per cent in 1999, generating more moderate employment growth of 28,000.

Alberta industries have diversified over the last ten years and become less dependent on the oil and natural gas industry. However, energy remains a key sector of the Alberta economy. The recent downturn in oil

MLS sales head lower

ALBERTA

(unit sales)



SOURCE: Canadian Real Estate Association.
1998-99 forecast by CMHC.

35,000. A dampening of activity in the oil patch and soft commodity prices, stemming from a slow-to-recover Asian market, will reduce in-migration to 30,000 in 1999.

Housing demand slows in 1999

Total housing starts in 1998 are forecast to increase 16 per cent, to 27,500 units, and result in the best year for residential construction since 1981. Continued economic growth, high in-migration and soaring consumer confidence are contributing to the strong housing markets in Alberta this year. However, a slowdown in Alberta's economy is expected to begin in the latter part of this year and to extend into 1999. With this slowdown, there will be less employment growth and fewer in-migrants, and housing demand will begin to taper off. In 1999, housing starts will fall off to 24,500 units.

Single-family housing starts are expected to reach 17,000 units in 1999, a 15 per cent drop from this year. Declining affordability in the singles market, the growing popularity of condominiums and tight rental markets throughout the

province will help to maintain the current level of activity in the multi-unit market. Construction of multiples will remain steady at 7,500 units this year and next.

Sales of existing homes are expected to fall slightly this year, down 4.0 per cent from 1997, to 42,000 units. With slower economic growth in 1999, MLS sales will continue to decline. Resales will reach 37,800 units, down 10 per cent from this year. Despite falling sales, seller's market conditions in many centres in the province will push up the average selling price by 8.0 per cent this year and 3.0 per cent in 1999.

Rental market conditions will remain tight in Calgary next year, while the vacancy rate in Edmonton will continue its downward trend. As many better-quality rental buildings are converted to condominiums, the overall supply of rental accommodation will continue to diminish. At the same time, lower affordability in the ownership market is preventing some renters from buying homes. Tighter rental markets mean that rents will continue to increase, resulting in some additional rental construction across Alberta in 1999.

Strong economic growth is bolstering housing demand in Calgary. New home construction will reach a 17-year high of 12,500 starts in 1998. Single-family starts will top out at 9,300 units, the highest level ever recorded. Surging demand for condominiums will boost multiple-family housing starts to 3,200 units this year. In Calgary's resale market, fewer listings and higher prices are holding back MLS sales. At 20,000, sales will fall short of the record set last year. Seller's market conditions will push the average price by 11 per cent to a new high of \$159,000.

In Edmonton, single-detached construction will outpace last year's strong performance, approaching 4,000 units. Rising demand for condominiums and a tighter rental market will spur multiple-unit activity by almost 30 per cent this year. In the resale market, strong demand combined with fewer listings will tilt the advantage toward sellers. Despite rising prices, resales will set a new record this year before losing ground in 1999 as the economy slows. ■

Key Provincial Indicators

ALBERTA	1997	1998(F)	1999(F)
Real GDP (% Change)	6.0	4.2	2.3
Employment (% Change)	3.1	3.2	2.0
Unemployment Rate (%)	6.0	5.5	5.7
Housing Starts (Units)			
Total	23671	27500	24500
Singles	18170	20000	17000
Multiples	5501	7500	7500
MLS Sales (Units)	43693	42000	37800
Average MLS Price (Dollars)	124864	135000	139000

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

British Columbia

by Charles King



Highlights

- Population growth declines
- New home sales trend down
- Multiples stronger than single-detached
- Weak consumer confidence curtailing the resale housing market

Declining growth affects the housing market

With declining net interprovincial migration and lower employment growth, four shifts have become evident in housing markets:

- Absorption of single-family housing in BC urban communities is averaging about 600 units per month in 1998,

compared to 700 in 1997. This is largely because fewer families are moving into the province and fewer BC families are thinking about moving up in the housing market. This has particularly dampened demand for new and resale single-family housing in suburban markets and towns with resource-based economies.

- Much of the job growth has been in the service sector and has targeted young, single people. This has increased the demand for rental apartments and condominiums in urban areas close to jobs. However, it has reduced demand in suburban condominium markets, where inventories of unsold units are increasing.
- Because the cost of new housing development is still relatively high in many retirement markets, the number of retirees moving to BC has declined. However, as Alberta and Ontario housing markets prosper, people from those provinces will have more home equity to enable them to buy a home in BC. There is little doubt that with a weak dollar, which makes fixed-income Canadians paupers in the United States, and continued aging of the population, BC retirement markets will soon revive on Vancouver Island and in the Okanagan and the Kootenays.
- International immigrants seem to prefer large condominiums to

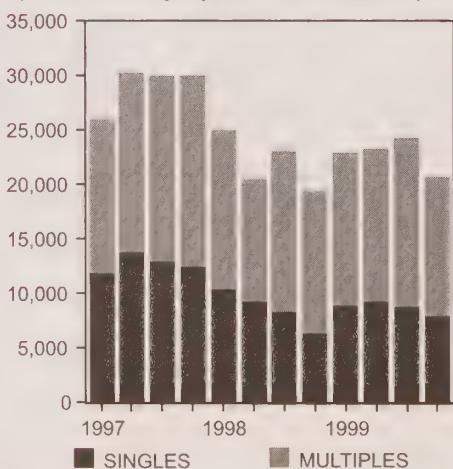
single-family homes. The preferred Vancouver-area locations for new housing purchases include Burnaby's Metrotown, Downtown Vancouver and Richmond (near the Vancouver International Airport), rather than outlying suburban markets.

Construction and land costs remain unchanged

Weak economic conditions often lead to lower land and construction costs. However, developers report that these costs have not decreased in the province. Stable or rising commercial and industrial development means that the building trades are keeping busy. Additionally, land owners have not dropped prices on developable residential land. Some costs have even been on the rise, with many municipalities pushing up trade permit fees, rezoning fees and development cost charges. Overall, hard and soft construction costs do not appear to be easing up.

Housing Starts BRITISH COLUMBIA

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.

1998-99 Forecast.

1998-99 Outlook

Downturn in forestry, fishery, and mining limit economic performance

The downturn in the natural resource sector has hit BC's economy hard. The northern, interior and coastal regions are feeling the effects of

weaker commodity prices and a decline in demand for forest products and minerals. The commercial and sports fishing industries face declining fish counts. Only the energy sector has experienced significant growth. The northeast, riding the wave of the burgeoning natural gas and oil industries, is the leading economic region of the province with an unemployment rate below 4.0 per cent.

The economies of Victoria and Vancouver benefit from an expanding service sector, which comprises almost 25 per cent of total provincial GDP. The film and television production industry in particular has been growing at a constant rate throughout the 1990s. Revenues in this industry, which grew from about \$90 million in 1986 to more than \$600 million in 1997, should surpass \$700 million in 1998.

Tourism is another bright spot in the provincial economy. There may be fewer Asian tourists, but the favourable U.S. exchange rate is bringing more Americans into BC. The cruise ship business is a major part of summer tourism, and it appears that more than 800,000 cruise passengers will visit Vancouver and Victoria this year. In the winter, ski hills are a top destination and BC's ski resorts should again attract more than 4.5 million out-of-province visitors this year.

Economic data show an increasing number of personal bankruptcies in almost every BC region, with provincial totals up from 4,371 in 1992 to 7,366 in 1997. This is an area of concern because it often has a spillover effect in the housing market. An encouraging sign is the decline in business bankruptcies during this period, from 1,031 in 1992 to 895 in 1997. Annual business incorporations have also remained constant since 1992, exceeding the 20,000 mark.

Population growth is slowing

Population growth is a key driver of the BC economy and a stimulus to the

housing market. Through the 1990s, the annual population growth rate has averaged more than 2.0 per cent, though it has been edging down since 1994. In the second half of 1997, it dropped below 2.0 per cent (seasonally adjusted), and it rests at 1.4 per cent as of the second quarter of 1998.

Population growth and employment growth are linked. In-migration was strong when provincial employment figures at least matched those of Alberta and Ontario, but BC's employment growth has been below that of Alberta and Ontario since the second quarter of 1997.

The annual level of net interprovincial migration to BC has stayed between 20,000 and 40,000 since the late 1980s. However, in the first quarter of 1998, when job prospects were strong in Alberta, BC suffered a net loss of 3,555 people to other provinces, the first such loss in 15 years. The net outflow from BC to Alberta in the first quarter was 4,581 persons, maintaining a trend between the two provinces that has lasted for over a year. This trend will continue unless there is significant improvement in BC's job prospects.

Net international immigration to BC has flattened out over the last four years at about 40,000 persons per year. Provisional statistics for 1998 show a downward trend, but immigration is expected to recover to recent levels as the Asian economy improves, with Greater Vancouver remaining the preferred destination.

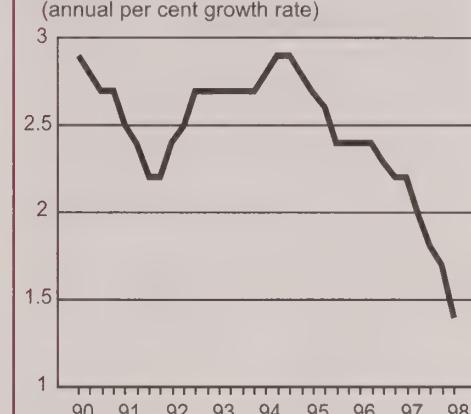
The resale market will begin to stabilize

MLS residential sales are expected to fall by more than 17 per cent this year, while average resale house prices should drop by at least one per cent. For the year, the MLS residential sales forecast of 56,000 and the average MLS price forecast of \$217,600 are on target, but are subject to possible fluctuations in mortgage rates. Both the number of sales and

Population growth rate edging down since 1994

BRITISH COLUMBIA

(annual per cent growth rate)



SOURCE: B.C. Statistics.

average prices are expected to stabilize in 1999.

The number of sales will show a steeper decline than average prices because home owners, recalling the high prices of the early 1990s, are unwilling to lower their listing price. As long as mortgage rates remain low and personal bankruptcies remain in check, people see no reason to sell their homes at what they perceive to be a discount.

One potentially significant factor that could affect the Greater Vancouver housing market is the resale of condominiums by investors, who are typically living offshore. While 30 per cent of new condominiums are purchased by investors and placed in the rental market, many housing units may be unoccupied and not rented. If the Asian economic crisis continues, some investors may wish to liquidate their real estate portfolios. A sudden glut of units could depress prices. The impact would be limited to the Greater Vancouver market.

The Greater Vancouver housing market is also facing lower condominium sales due to a pervasive problem of water damage in wood-frame buildings built since the 1980s. As a result of the "leaky condo" syndrome, many homeowners are unable to sell their condominiums

as potential buyers have been influenced by negative publicity.

Housing starts forecast adjusted lower

The housing market is in a flat period. Potential purchasers may have remained on the sidelines for a number of reasons, such as the anticipation that prices could drop and the perception that wood-frame construction is of poor quality. Other factors, such as lower population growth and a prolonged financial downturn in Asia, are beginning to affect the BC economy. The uncertain economic climate reduces consumer confidence and makes it less likely that buyers will make large investments in housing.

In light of all these economic factors and demographic trends, there

Key Provincial Indicators

BRITISH COLUMBIA	1997	1998(F)	1999(F)
Real GDP (% Change)	1.8	0.0	0.1
Employment (% Change)	1.8	0.4	0.3
Unemployment Rate (%)	8.7	9.6	9.8
Housing Starts (Units)			
Total	29351	21600	23000
Singles	12911	8400	8800
Multiples	16440	13200	14200
MLS Sales (Units)	68182	56000	57500
Average MLS Price (Dollars)	220511	217600	219800

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

is a downward adjustment in the BC housing starts forecast. We now anticipate 21,600 starts (8,400 single detached and 13,200 multiples) this

year and 23,000 starts (8,800 single detached and 14,200 multiples) in 1999. ■

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Housing Starts

Total (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	2405	2243	1712	2034	1696	1675	1800
%	5.9	-6.7	-23.7	18.8	-16.6	-1.2	7.5
PEI	645	669	422	554	470	430	470
%	0.2	3.7	-36.9	31.3	-15.2	-8.5	9.3
NS	4282	4748	4168	4059	3813	3500	3850
%	-8.4	10.9	-12.2	-2.6	-6.1	-8.2	10.0
NB	3693	3203	2300	2722	2702	2500	2700
%	11.6	-13.3	-28.2	18.3	-0.7	-7.5	8.0
QUE	34015	34154	21885	23220	25896	26000	25300
%	-11.0	0.4	-35.9	6.1	11.5	0.4	-2.7
ONT	45140	46645	35818	43062	54072	57000	63000
%	-19.1	3.3	-23.2	20.2	25.6	5.4	10.5
MAN	2425	3197	1963	2318	2612	2850	2730
%	5.0	31.8	-38.6	18.1	12.7	9.1	-4.2
SASK	1880	2098	1702	2438	2757	2800	2700
%	0.6	11.6	-18.9	43.2	13.1	1.6	-3.6
ALTA	18151	17692	13906	16665	23671	27500	24500
%	-2.3	-2.5	-21.4	19.8	42.0	16.2	-10.9
BC	42807	39408	27057	27641	29351	21600	23000
%	5.4	-7.9	-31.3	2.2	6.2	-26.4	6.5
CAN	155443	154057	110933	124713	147040	*145900	*150100
%	-7.6	-0.9	-28.0	12.4	17.9	-0.8	2.9

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1559	1455	1165	1395	1220	1200	1350
%	-3.2	-6.7	-19.9	19.7	-12.5	-1.6	12.5
PEI	460	454	364	430	374	355	375
%	9.3	-1.3	-19.8	18.1	-13.0	-5.1	5.6
NS	3126	3358	3040	3278	2939	2500	2750
%	-3.3	7.4	-9.5	7.8	-10.3	-14.9	10.0
NB	2535	2547	1722	2173	2125	2000	2250
%	6.0	0.5	-32.4	26.2	-2.2	-5.9	12.5
QUE	17136	18414	13428	14818	16073	14650	11550
%	-7.7	7.5	-27.1	10.4	8.5	-8.9	-21.2
ONT	26240	30036	20124	27019	35401	35500	39000
%	-5.8	14.5	-33.0	34.3	31.0	0.3	9.9
MAN	1874	2441	1564	1875	2019	2175	2080
%	11.3	30.3	-35.9	19.9	7.7	7.7	-4.4
SASK	1342	1542	1341	1612	1954	2040	2000
%	-9.6	14.9	-13.0	20.2	21.2	4.4	-2.0
ALTA	13040	12671	10096	12949	18170	20000	17000
%	-7.7	-2.8	-20.3	28.3	40.3	10.1	-15.0
BC	17787	16591	11581	12447	12911	8400	8800
%	-17.2	-6.7	-30.2	7.5	3.7	-34.9	4.8
CAN	85099	89509	64425	77996	93186	*88800	*87200
%	-8.3	5.2	-28.0	21.1	19.5	-4.7	-1.8

Multiples (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	846	788	547	639	476	475	450
%	28.2	-6.9	-30.6	16.8	-25.5	-0.2	-5.3
PEI	185	215	58	124	96	75	95
%	-17.0	16.2	-73.0	113.8	-22.6	-21.9	26.7
NS	1156	1390	1128	781	874	1000	1100
%	-19.8	20.2	-18.8	-30.8	11.9	14.4	10.0
NB	1158	656	578	549	577	500	450
%	26.0	-43.4	-11.9	-5.0	5.1	-13.3	-10.0
QUE	16879	15740	8457	8402	9823	11350	13750
%	-14.2	-6.7	-46.3	-0.7	16.9	15.5	21.1
ONT	18900	16609	15694	16043	18671	21500	24000
%	-32.3	-12.1	-5.5	2.2	16.4	15.2	11.6
MAN	551	756	399	443	593	675	650
%	-12.1	37.2	-47.2	11.0	33.9	13.8	-3.7
SASK	538	556	361	826	803	760	700
%	39.7	3.3	-35.1	128.8	-2.8	-5.4	-7.9
ALTA	5111	5021	3810	3716	5501	7500	7500
%	14.9	-1.8	-24.1	-2.5	48.0	36.3	0.0
BC	25020	22817	15476	15194	16440	13200	14200
%	30.7	-8.8	-32.2	-1.8	8.2	-19.7	7.6
CAN	70344	64548	46508	46717	53854	*57000	*62900
%	-6.7	-8.2	-27.9	0.4	15.3	5.8	10.4

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

		Centres 10,000 Population and Over						Other Areas	All Areas Total
		Rental/Co-op Private	Assisted	Total Rental	Condo	Other*	Total 10,000+		
NFLD	1997	44	0	44	12	408	464	12	476
	1998	100	0	100	50	315	465	10	475
	1999	50	0	50	32	318	400	50	450
PEI	1997	62	0	62	0	0	62	34	96
	1998	65	0	65	0	0	65	10	75
	1999	75	0	75	0	0	75	20	95
NS	1997	503	0	503	0	294	797	77	874
	1998	595	0	595	80	200	875	125	1000
	1999	675	0	675	0	225	900	200	1100
NB	1997	382	0	382	5	151	538	39	577
	1998	308	0	308	42	110	460	40	500
	1999	250	0	250	30	120	400	50	450
QUE	1997	2879	0	2879	2821	3622	9322	501	9823
	1998	2500	0	2500	2500	5000	10000	1350	11350
	1999	3500	0	3500	3700	5500	12700	1050	13750
ONT	1997	773	0	773	8138	9512	18423	248	18671
	1998	1500	0	1500	9300	10400	21200	300	21500
	1999	1900	0	1900	10200	11300	23400	600	24000
MAN	1997	183	0	183	192	0	375	218	593
	1998	225	0	225	225	0	450	225	675
	1999	200	0	200	225	0	425	225	650
SASK	1997	13	0	13	671	46	730	73	803
	1998	20	0	20	670	20	710	50	760
	1999	20	0	20	630	10	660	40	700
ALTA	1997	365	0	365	3424	762	4551	950	5501
	1998	400	0	400	5000	900	6300	1200	7500
	1999	500	0	500	5000	800	6300	1200	7500
BC	1997	1392	171	1563	12843	1002	15408	1032	16440
	1998	1230	200	1430	10300	850	12580	620	13200
	1999	1250	200	1450	11200	850	13500	700	14200
CAN	1997	6596	171	6767	28907	15797	50670	3184	53854
	1998	6943	200	7143	30667	17795	53105	3930	**57000
	1999	8420	200	8620	32817	19123	58760	4135	**62900

SOURCE: CMHC.

1997 Actual. 1998-99 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

New Housing

Total New House Price Index* (annual per cent change)

	1993	1994	1995	1996	1997	1998 ^(F)	1999 ^(F)
ST. JOHN'S	0.1	0.4	0.1	-1.1	-2.1	-1.4	1.0
HALIFAX	3.0	2.8	2.9	0.8	-2.4	5.0	3.0
SAINT JOHN	-0.1	0.1	-0.1	-1.0	-3.2	-1.4	-1.0
QUEBEC CITY	-0.3	-0.5	0.7	-1.4	-0.4	0.7	0.5
MONTRÉAL	0.8	0.6	0.8	-0.1	-0.0	1.0	1.0
OTTAWA	-0.6	0.2	-1.8	-1.5	0.6	0.3	1.2
TORONTO	-2.4	-0.2	0.7	-1.2	2.2	3.2	2.0
HAMILTON	-2.6	-0.4	-1.1	-0.8	3.9	4.2	3.0
ST. CATHARINES	-3.2	-4.0	-0.8	1.0	3.9	3.1	0.4
KITCHENER	0.8	-2.6	-0.7	-0.2	0.8	1.7	2.0
LONDON	-0.1	0.2	-2.7	-1.0	1.0	0.4	0.5
WINDSOR	-0.5	0.1	1.1	0.4	3.6	1.0	1.5
SUDBURY-							
THUNDER BAY	1.9	1.4	0.2	-0.2	-0.6	-2.2	0.7
WINNIPEG	3.5	3.4	1.5	0.9	1.4	1.2	1.2
REGINA	5.5	4.0	3.1	1.6	3.6	5.3	4.0
SASKATOON	3.4	1.4	0.9	1.8	1.9	3.0	2.5
CALGARY	3.1	2.4	0.8	1.0	6.7	7.0	4.0
EDMONTON	3.5	0.9	-1.3	-0.8	1.8	4.5	3.0
VANCOUVER	7.7	-0.6	-5.2	-6.1	-3.2	-2.2	0.5
VICTORIA	3.0	-0.9	-8.6	-7.1	-3.0	-0.5	0.8
CANADA	1.3	0.1	-1.2	-1.9	0.8	1.8	1.7

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1867	1873	1655	2005	2170	2200	2250
%	2.1	0.3	-11.6	21.1	8.2	1.4	2.3
PEI	654	599	476	750	806	825	750
%	8.3	-8.4	-20.5	57.6	7.5	2.4	-9.1
NS	7180	7140	7019	8332	7567	7700	8300
%	3.2	-0.6	-1.7	18.7	-9.2	1.8	7.8
NB	3483	3339	3496	4023	3941	4000	4100
%	-1.9	-4.1	4.7	15.1	-2.0	1.5	2.5
QUE	31875	33575	29824	39213	43405	36800	36900
%	-0.2	5.3	-11.2	31.5	10.7	-15.2	0.3
ONT	107575	116005	105789	138859	140608	139000	143000
%	-6.7	7.8	-8.8	31.3	1.3	-1.1	2.9
MAN	10546	10825	9749	10965	11180	10940	10720
%	-7.4	2.6	-9.9	12.5	2.0	-2.1	-2.0
SASK	7375	7459	7349	8689	8346	8200	8100
%	-5.8	1.1	-1.5	18.2	-3.9	-1.7	-1.2
ALTA	37024	32512	29098	37485	43693	42000	37800
%	-3.9	-12.2	-10.5	28.8	16.6	-3.9	-10.0
BC	80919	75270	58082	72182	68182	56000	57500
%	-13.5	-7.0	-22.8	24.3	-5.5	-17.9	2.7
CAN**	288498	288597	252537	322503	329898	*307700	*309400
%	-7.4	0.0	-12.5	27.7	2.3	-6.7	0.6

Average Residential Price (dollars and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	91243	91697	89525	93666	92212	91500	92000
%	-1.0	0.5	-2.4	4.6	-1.6	-0.8	0.5
PEI	72422	78753	73807	83962	86352	79500	82000
%	-4.2	8.7	-6.3	13.8	2.8	-7.9	3.1
NS	88965	91109	89788	93843	96696	98000	100000
%	1.5	2.4	-1.4	4.5	3.0	1.3	2.0
NB	84951	84149	83994	84206	87211	87500	89000
%	3.0	-0.9	-0.2	0.3	3.6	0.3	1.7
QUE	102447	102242	98837	98586	101751	105000	107000
%	0.1	-0.2	-3.3	-0.3	3.2	3.2	1.9
ONT	156403	160033	154537	155584	164382	171000	178000
%	-3.1	2.3	-3.4	0.7	5.7	4.0	4.1
MAN	81748	83761	81897	85316	85403	86260	86000
%	1.3	2.5	-2.2	4.2	0.1	1.0	-0.3
SASK	70698	72738	73796	77476	83980	88500	93000
%	3.4	2.9	1.5	5.0	8.4	5.4	5.1
ALTA	117085	117336	114772	117672	124864	135000	139000
%	3.1	0.2	-2.2	2.5	6.1	8.1	3.0
BC	211992	229514	221860	218687	220511	217600	219800
%	11.6	8.3	-3.3	-1.4	0.8	-1.3	1.0
CAN**	152914	158309	150353	150840	154658	*157700	*163000
%	2.2	3.5	-5.0	0.3	2.5	2.0	3.3

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1994	1995	1996	1997	1998(F)	1999(F)
CALGARY	47110	5.1	3.6	1.5	0.5	0.3	0.5
CHICOUTIMI- JONQUIÈRE	8184	6.3	6.0	5.4	4.1	3.9	3.8
EDMONTON	64255	8.9	10.2	7.6	4.6	3.0	2.0
HALIFAX	32946	7.2	7.7	8.7	7.7	7.2	6.8
HAMILTON	42930	2.4	2.0	2.2	3.1	2.8	2.5
KITCHENER	25860	2.8	2.2	1.8	1.9	1.8	2.0
LONDON	38781	4.1	4.3	6.0	5.1	4.4	4.0
MONTRÉAL	453613	6.8	6.2	5.7	5.9	5.5	5.0
OSHAWA	11128	3.4	2.7	3.7	2.4	1.5	1.5
OTTAWA	61036	2.6	3.8	4.9	4.2	3.4	2.8
HULL	18286	6.6	8.3	7.7	9.4	10.0	9.0
QUEBEC CITY	72850	6.9	6.0	6.5	6.6	6.3	6.0
REGINA	11960	3.2	2.1	1.9	1.5	2.0	2.0
ST. CATHARINES- NIAGARA	16570	5.8	5.2	5.6	5.4	5.1	4.5
SAINT JOHN	7563	8.0	8.6	9.1	8.2	7.8	7.2
ST. JOHN'S	4695	7.1	10.8	15.4	16.6	14.0	12.0
SASKATOON	17171	1.8	1.0	0.7	0.9	1.0	1.0
SHERBROOKE	23695	8.0	6.2	6.6	7.5	7.1	6.6
SUDBURY	10876	4.3	6.0	6.8	7.2	6.5	6.0
THUNDER BAY	5290	4.1	6.2	5.6	7.7	7.5	7.1
TORONTO	301902	1.2	0.8	1.2	0.8	0.7	0.5
TROIS-RIVIÈRES	16204	7.4	7.2	8.0	8.6	8.4	8.3
VANCOUVER	106816	0.8	1.2	1.1	1.7	2.0	2.2
VICTORIA	24306	1.9	3.3	4.1	3.5	3.2	3.4
WINDSOR	14900	1.6	1.8	2.8	4.5	3.6	3.1
WINNIPEG	54305	5.6	5.4	6.0	5.9	5.6	5.4
CANADA**	1493232	4.6	4.3	4.3	4.1	3.8	3.5

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1997.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	-0.5	1.0	1.0	-3.6	1.1	4.0	2.5
PEI	0.0	3.7	5.4	1.7	1.7	-0.5	1.3
NS	-0.8	3.3	1.1	0.3	1.8	3.0	1.0
NB	1.0	0.7	2.3	-0.3	1.0	1.9	1.6
QUE	0.4	2.5	1.5	0.3	1.5	1.4	1.0
ONT	1.8	1.4	1.4	1.5	1.9	3.7	3.0
MAN	2.2	0.4	2.0	1.0	2.3	1.9	1.6
SASK	1.1	0.4	0.7	0.2	2.8	2.1	1.7
ALTA	0.9	3.2	2.7	2.9	3.1	3.2	2.0
BC	2.9	4.0	1.7	2.5	1.8	0.4	0.3
CAN	1.4	2.1	1.6	1.3	1.9	2.5	1.9

Unemployment Rate (per cent)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	20.1	20.4	18.3	19.4	18.8	17.1	16.1
PEI	18.1	17.2	14.7	14.5	14.9	14.5	14.0
NS	14.6	13.3	12.1	12.6	12.2	10.7	10.6
NB	12.5	12.5	11.5	11.7	12.8	12.4	12.2
QUE	13.2	12.2	11.3	11.8	11.4	10.7	10.4
ONT	10.6	9.6	8.7	9.1	8.5	7.0	6.3
MAN	9.3	9.2	7.5	7.5	6.6	5.7	5.5
SASK	8.0	7.0	6.9	6.6	6.0	5.1	4.7
ALTA	9.7	8.6	7.8	7.0	6.0	5.5	5.7
BC	9.7	9.4	9.0	8.9	8.7	9.6	9.8
CAN	11.2	10.4	9.5	9.7	9.2	8.4	8.0

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	-4209	-6872	-6894	-8476	-9819	-8000	-7500
PEI	700	830	552	483	-544	-210	40
NS	1201	-86	1252	2578	-320	400	925
NB	-380	-609	-839	-1234	-1963	-2100	-1500
QUE	24942	13732	17456	7629	1771	8000	9000
ONT	69457	89825	91632	79910	99940	106000	108900
MAN	-1910	-1354	-1216	186	-3616	-1700	-500
SASK	-2903	-2458	-1614	100	-1823	-1700	-1700
ALTA	8773	9460	15619	23470	41605	36000	30000
BC	75535	79805	68674	66501	45922	33000	40000
CAN**	171206	182273	184622	171147	171153	169690	177665

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates (levels and quarterly percentage change)

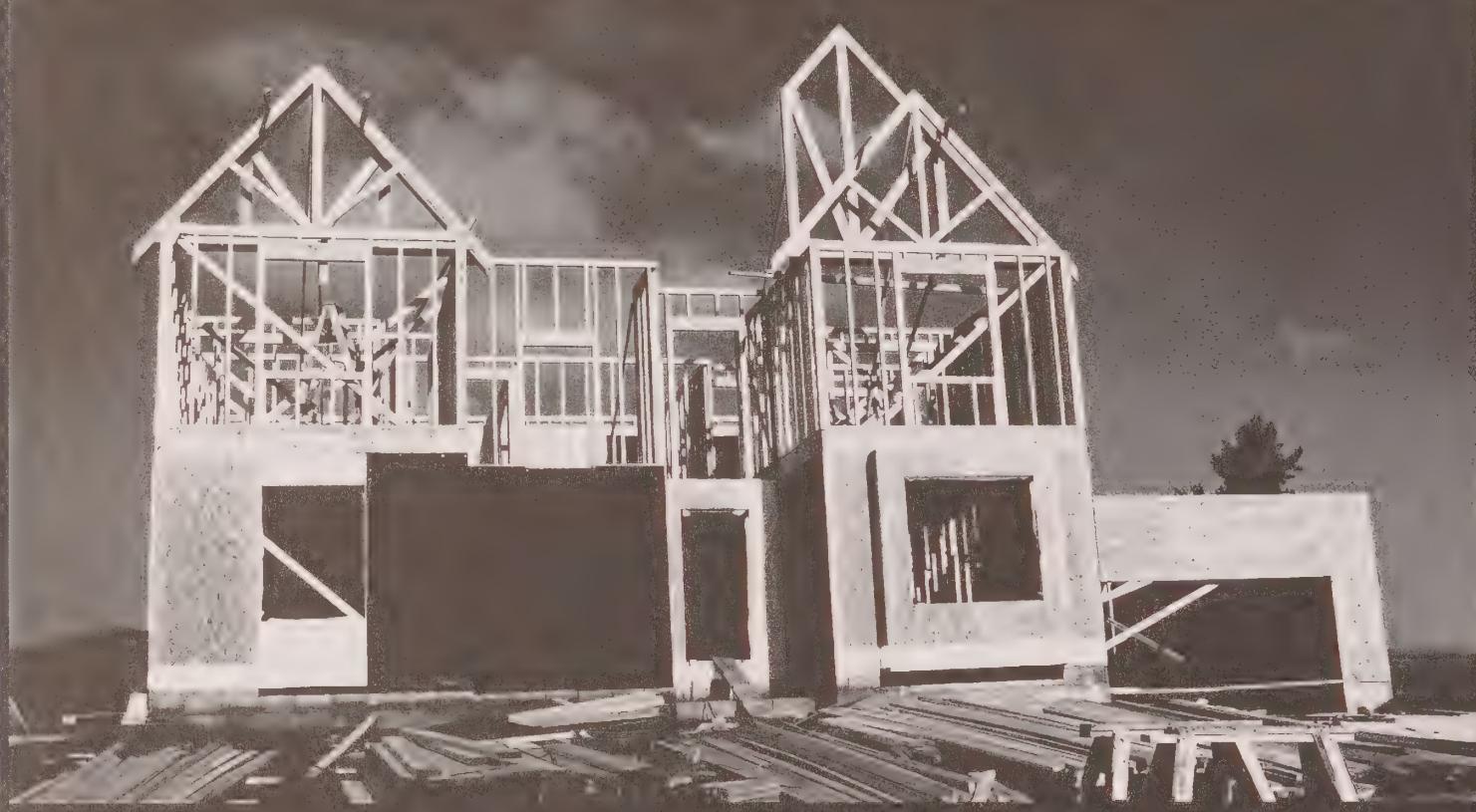
	96:Q4	97:Q1	97:Q2	97:Q3	97:Q4	98:Q1	98:Q2
New housing							
Building permits, units, thousands	145.8	162.8	150.8	159.2	150.1	151.1	145.3
%	8.6	11.7	-7.4	5.6	-5.7	0.7	-3.9
Housing starts, total, thousands	131.8	151.6	145.0	148.3	148.2	151.0	138.9
%	3.1	15.0	-4.4	2.3	-0.1	1.9	-8.0
Housing starts, singles, thousands	81.6	100.2	91.1	93.8	92.1	91.1	86.4
%	3.2	22.8	-9.1	3.0	-1.8	-1.1	-5.2
Housing starts, multiples, thousands	50.2	51.4	53.9	54.5	56.1	59.9	52.5
%	3.1	2.4	4.9	1.1	2.9	6.8	-12.4
Housing completions, total, thousands	123.4	133.6	151.0	139.1	148.7	146.3	140.6
%	2.6	8.3	13.0	-7.9	6.9	-1.7	-3.8
New house price index, 1992=100	98.3	98.8	99.1	99.2	99.5	99.8	100.0
%	0.2	0.4	0.3	0.2	0.3	0.3	0.2
Existing housing							
MLS resales, units, thousands	378.9	351.1	331.1	325.4	313.3	291.9	327.7
%	21.6	-7.4	-5.7	-1.7	-3.7	-6.8	12.3
MLS average resale price, \$C thousands	151.3	153.6	156.1	154.8	154.0	152.4	152.0
%	-0.1	1.5	1.7	-0.9	-0.5	-1.0	-0.3
Mortgage market							
Mortgages outstanding, \$C billions	356.1	362.3	367.2	371.0	374.5	379.2	..
%	1.3	1.7	1.3	0.9	1.0	1.2	..
Mortgage approvals, \$C billions	86.3	83.7	75.7	73.2	69.9	65.4	..
%	22.2	-3.0	-9.5	-3.4	-4.4	-6.5	..
1-year mortgage rate, per cent*	5.25	5.15	5.38	5.65	5.98	6.40	6.55
5-year mortgage rate, per cent*	7.03	7.18	7.33	6.95	6.82	6.85	6.95
Residential investment**							
Total, \$1992 billions	41.1	42.1	43.1	43.0	43.9	43.9	43.2
%	5.1	2.4	2.6	-0.3	2.1	-0.1	-1.6
New, \$1992 billions	19.7	21.0	22.0	22.0	22.9	23.0	21.7
%	1.4	6.5	4.8	0.1	4.1	0.6	-5.6
Alterations, \$1992 billions	12.7	13.0	13.5	13.6	13.8	14.2	14.1
%	1.1	2.7	3.4	0.7	2.2	2.4	-0.3
Transfer costs, \$1992 billions	8.7	8.1	7.7	7.4	7.2	6.7	7.3
%	22.3	-7.3	-4.5	-3.3	-3.5	-7.1	9.0
Deflator, 1992 =100	106.0	106.4	107.4	107.1	107.4	107.9	108.8
%	0.2	0.4	0.9	-0.3	0.3	0.5	0.8

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.



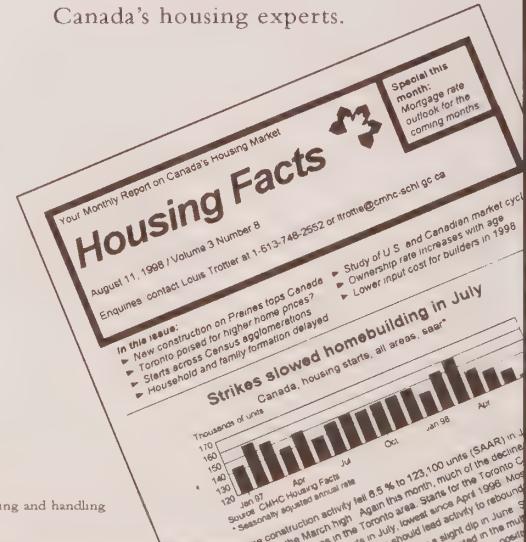
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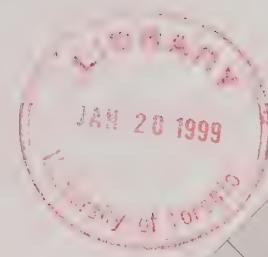
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FOURTH QUARTER, 1998**

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Cette publication est aussi disponible en français sous le titre *Perspectives nationales du marché de l'habitation*
N° de catalogue : NHOSF.

NATIONAL HOUSING OUTLOOK

Housing review

Positive factors fade

New construction down, resales stabilize

Housing Starts and Residential MLS* Sales — Canada



SOURCES: CMHC; Canadian Real Estate Association.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Inventories rising, but still relatively low

Newly completed, unoccupied dwelling units — Canada

(thousands of units)



SOURCE: CMHC.

Positive factors which boosted construction activity earlier in the year withered away through the summer months. Mortgage rates were bumped up, job creation began to sputter and a wave of negative financial news starting in Asia battered consumer confidence. Moreover, strike action in Ontario's construction trades intensified through the summer months and resulted in the slowest homebuilding pace of the year. Total housing starts averaged only 131,300 units, seasonally adjusted at an annual rate, during the third quarter, down from 137,900 and 151,000 in the second and first quarters.

This latest drop in starts activity was not broadly based. On a regional basis, residential construction stumbled mostly in Ontario, and slipped modestly in Quebec and the Prairies. Construction remained essentially unchanged in British Columbia, but rose in the Atlantic region.

Inventories remained in good shape

There were fewer starts of both single-detached and multiple-unit dwellings. The single-detached market showed greater resilience with starts down significantly only in Ontario. The multiples market was more spotty, with declines in Quebec, Ontario and the Prairies. Inventories of newly completed and unoccupied units remain in good shape, rising to 14,600 units from 14,300 last quarter, but still well below early 1990 levels. Most of the inventory increases were in the row and apartment segment.

Buyer conditions prevail in most resale markets

The resale market stabilized near the 330,000 mark in the third quarter. Although new listings declined two per cent over the same period, buyer conditions still prevailed in most urban areas. Generally, prospective homebuyers could choose from a large selection of homes for sale and enjoyed strong bargaining power. Seller conditions persisted only in a few local markets such as Calgary and Saskatoon. Average prices eased during the quarter, mostly as a result of reduced prices in British Columbia.

Economic outlook 1998-99

Economy losing momentum

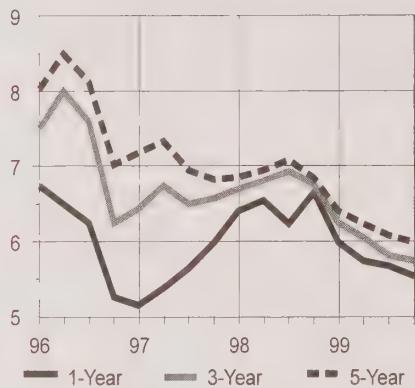
The Canadian economy lost much of its strength in the third quarter of this year, being tested by the global financial crises and a slower United States economy. Most recent indicators show slowing GDP growth, moderating income and employment gains, and weakening consumer confidence. It is not clear how quickly momentum can be rebuilt over the next several quarters.

Lower mortgage rates may be the silver lining...

The slowdown in economic growth in Canada and the United States has provided (and will continue to provide) opportunities for lower interest rates over the next several months and into the new year with possible temporary spikes due to

Mortgage rates will fall as economy slows

(in %)



SOURCE: Bank of Canada; 1998-99 CMHC forecast

intermittent currency pressures. However, lenders are allowing for a larger than normal mortgage-bond-yield spread in setting their mortgage rates as a result of the heightened volatility in financial markets. The current 1.75 to 2.25 percentage point spreads between mortgage rates and comparable Government of Canada bond yields are above the recent norms of 1.50 to 1.75 percentage points. This higher than normal spread is expected to continue until greater financial stability is achieved next year.

The one-year mortgage rate is expected to be in the 6.25 to 6.75 per cent range in the remaining quarter of 1998 and then is forecast to decline next year to the 5.50 to 6.00 per cent range prior to increasing in 2000 in response to rising short-term interest rates. The five-year rate will remain in the 6.75 to 7.00 per cent range for the last quarter of 1998. It is forecast to fall to the 6.00 to 6.50 per cent range next year before nudging up to the 6.25 to 6.75 per cent range in 2000.

... but rates will take time to have an impact

The drop in interest rates should offset dampening pressures on economic growth, but the response time for the general economy is about six to nine months. As a result, GDP growth will remain positive although more moderate. Less significant investment and consumer spending will set the stage for weaker and mostly part-time employment growth. Lower mortgage rates will support housing, but the more modest income gains next year will mean that housing demand is unlikely to match that in 1998.

Moreover consumer confidence will remain a key ingredient in housing markets. A more fragile job market, combined with the volatile stock market and a low Canadian dollar could be enough to spook consumers away from spending on homes and push housing activity lower.

Housing outlook 1998-99

The promise of 1998 is gone

Despite the strong start early in the year, lower employment growth and weaker consumer confidence are now setting the stage for a cooler housing market late in 1998 and into 1999. The new home market, in particular, will face renewed competition from the existing home market where house prices have essentially levelled off. The requirement for new housing will also taper off in line with reduced net migration. As a result, total housing starts are now expected to fall below last year's level, reaching 140,700 units this year and 138,300 units next year.

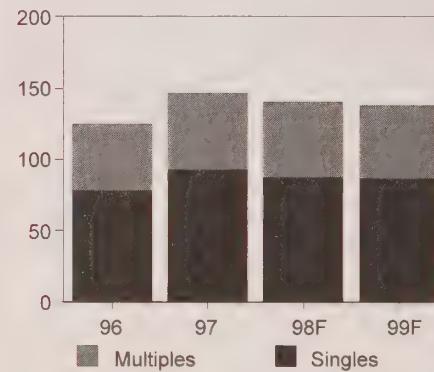
The decline in total housing starts will largely be due to fewer single-detached home starts. Single starts will go down 6.3 per cent to 87,300 units in 1998 and reach 87,000 in 1999. Multiple-type dwelling starts will also drift lower with multiple starts falling 0.8 per cent to 53,400 units this year and another 3.9 per cent to 51,300 units next year. Condominiums and other owned units will account for the bulk of new multiples construction, but rental should improve.

Buyers will remain in the driver's seat in resale market

The existing home market is not expected to fare any better than the new, for many of the same reasons. Sales through the MLS system are expected to drop from the 1997 record level by 4.8 per cent to 314,100 transactions. Sales volume will decline further in 1999, some 2.4 per cent to 306,600 transactions. Flagging consumer confidence will dampen demand for existing homes. With buyers still in the driver's seat in most local markets, the national average price of MLS homes sold will slip 0.8 per cent to \$153,400 this year and increase only two per cent to \$156,500 next year.

Singles and multiples both weaker in 1998 and 1999

(thousands of starts)



SOURCE: CMHC; 1998-99 forecast.

Ontario and the Atlantic stand out in 1999

Ontario homebuilding will lead the country as it will gain the lion's share of employment growth in Canada. The province's construction activity will benefit from a resilient economy, higher migration and a housing market with relatively low inventories. The housing starts pace will progress higher in 1999 with the average as much as eight per cent above that in 1998. The Atlantic region will also stand out

with greater starts activity in 1999 as a result of improving fortunes in the job market via numerous megaprojects.

The strong construction pace in Alberta this year will not be sustained in 1999. A more moderate expansion of its labour market, in line with cooler oil prices, will tend to dampen new housing demand. In Manitoba and Saskatchewan, homebuilding is also set to peak this year and fall next year as prospects for agriculture and other resource industries decline.

In the Quebec market, residential construction will drop as a result of slower job growth and strong competition from the existing home market limiting the demand for new housing. Finally, construction will stall in British Columbia to 19,000 units in 1999. The Asian financial crisis will continue to hold back the B.C. economy. ■

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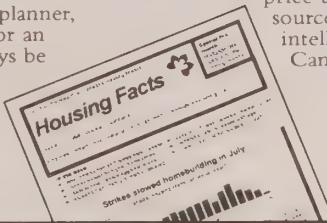
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PROVINCIAL HOUSING OUTLOOKS

Newfoundland

Recovery in housing starts hampered by out-migration

Despite some encouraging signs, residential construction in the province remained depressed throughout the third quarter of 1998, posting a decline of 3.2 per cent from the same period a year ago. Employment growth during the first half of the year finally began to trickle down to the new homes market during the summer with most urban centres recording healthy gains in housing starts over last year. High levels of out-migration continued to hamper any sustained recovery, particularly in rural Newfoundland where third-quarter starts decreased by almost 10 per cent.

This weakness in the rural areas and substantial reductions in the number of multiple housing starts in the St. John's region will lower provincial housing starts to just 1,600 units in 1998. With

employment growth forecast to continue, albeit at a reduced pace, and out-migration expected to moderate somewhat, prospects for a slight improvement in housing starts remain positive for 1999. Any growth will be due to an increase in single-detached starts with multiple starts expected to remain depressed.

A strong surge in the St. John's region in September combined with a record-setting pace in central Newfoundland will push total provincial MLS sales up to 2,200 units this year. Sustained employment growth, abundant supplies of competitively priced homes and low mortgage rates will keep the existing homes market strong with provincial MLS sales expected to inch up to 2,250 units in 1999. However, an oversupply of housing will continue to moderate price increases, with the average MLS price nudging up to \$92,000 next year.

Prince Edward Island

Resale market on the upswing

Healthy gains in the potato industry combined with record high tourism stimulated the provincial economy this year and resulted in renewed consumer confidence. This gave a significant boost to the demand for existing homes. By the end of the third quarter, year-to-date sales had already reached the level for all of 1997. Listings of existing homes also increased substantially in the third quarter, providing prospective buyers with even more selection and bargaining power. As a result, sales of existing homes will break the 1,000 mark in 1998 and 1999 while the average existing home price will remain under the \$80,000 level.

Provincial housing starts will exceed last year's levels due to a

substantial jump in multiple unit starts. In the Charlottetown area, after a very slow first half, apartment construction soared over the summer, boosting the forecast to 130 multiple units this year. Rental construction will remain strong in 1999 but is expected to stabilize as existing stock will create an oversupply.

To the end of September, rural areas captured nearly half of single-detached starts, compared to 43 per cent in 1997. Growth is expected to continue to switch to rural areas over the forecast period, reflecting the good performance of most key industries. The current forecast indicates a slight increase in single-detached homes to 385 units next year as strong demand in the rural part of the province makes up for less urban construction.

Nova Scotia

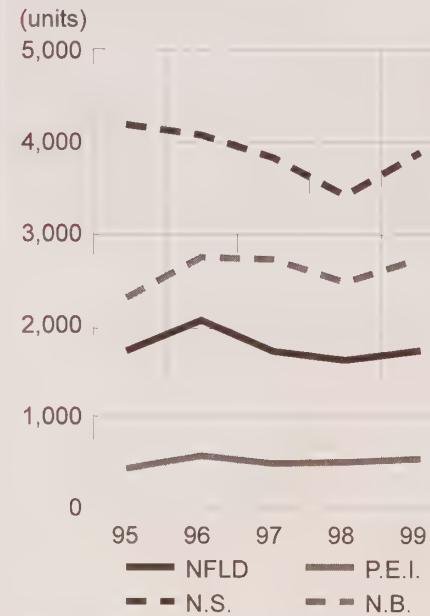
Second-half recovery to continue through 1999

After a sluggish first half, residential construction activity in the third quarter of 1998 finally began to reflect the strong Nova Scotia economy and labour market. Third-quarter results show a 15 per cent growth in starts over the third quarter of 1997, and the fourth quarter is also expected to improve considerably over last year.

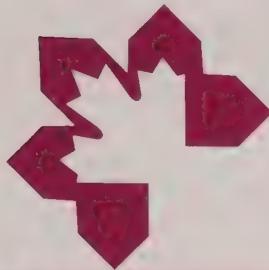
Construction of the Sable Gas Pipeline, which begins this fall, and the spin-offs of this labour-intensive project will see 1998 housing activity close on a strong note — a trend which is expected to continue through 1999.

A one per cent increase in employment, household income gains and continued low mortgage rates will provide the impetus for more first-time buyers to enter the market. These first-time buyers will

Housing Starts Atlantic Region



SOURCE: CMHC.
1998-99 Forecast.



RENOVATION MARKET OUTLOOK

CMHC Market Analysis Centre

1998-1999

Highlights

Renovation spending will be up about four per cent in 1998, and is expected to hold steady in 1999.

Over the next two to three years, 11 per cent of Canadian households will definitely renovate, and 19 per cent will probably renovate. Average renovation spending for major projects will be \$13,000.

Consumers get renovation information from friends and stores, and from magazines and television, but the internet has a long way to go.

Renovation spending started strong in 1998, and is expected to be up about four per cent for the year to a record \$22.8 billion. The slowdown in the economy is the major reason expenditures will fall short of the previous forecast.

Spending in the key alterations and improvements category, which makes up about 73 per cent of total renovation spending (including repairs), was up 8.4 per cent in the first quarter and 4.8 per cent in the second, with a 4.2 per cent increase expected for the year. Renovation spending for 1999 is expected to remain steady at about the same level.

Record resales will help sustain renovation and repair spending

The renovation market in 1998 was bolstered by the large number of homeowners who had purchased their homes in 1996 and 1997, and

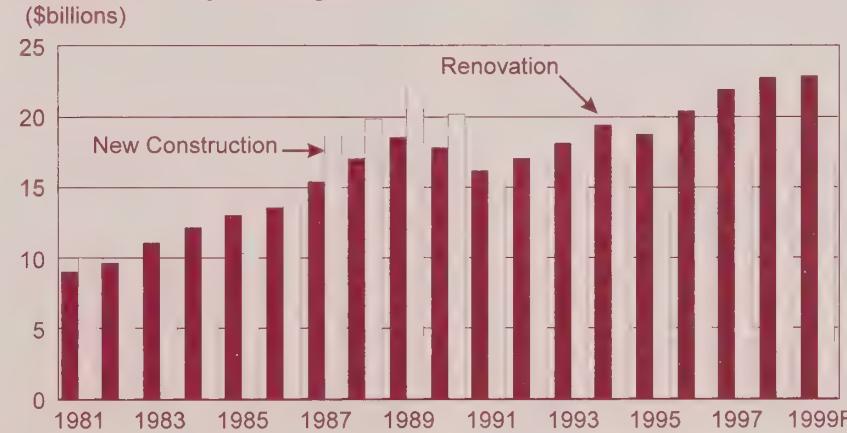
by continuing strength in resale markets. MLS* sales jumped 27.7 per cent to reach a record 322,500 units in 1996, and broke that record with 330,000 in 1997. Even with an expected easing to 314,100 units in 1998, and 306,600 in 1999, the number of transactions continues to be very high relative to earlier years.

This is good news for renovation markets and should help maintain spending levels even with consumer uncertainty about employment and income, and lower housing starts.

As Renovation Market Outlook detailed in the last two issues (1996-97 and 1997-98), homebuyers tend to undertake significant repairs and alterations in the first few years of ownership. Buyers of resale homes carry out needed maintenance and simultaneously update the home while altering it to better suit their household needs. They spend over 50 per cent more on renovations and repairs than do either buyers of newly built homes or owners who do not move.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Renovation spending will reach a record level



Sources: Statistics Canada, 1998-99 CMHC forecast.

New homes also boost renovation activity

A survey of 1997 renovation activity in Quebec (*Marché de la rénovation au Québec*, SCHL, région du Québec, 1998) found that new homes are slightly more likely to undergo renovation work, usually in the form of general improvements, than are older homes. The survey found at least some renovation expenditures for 59.8 per cent of homes built in 1991 and after, compared with 54.3 per cent of those built before 1920, and about 57 per cent overall.

Buyers of new homes, especially first-time buyers, finish details such as decks, landscaping and basement interiors which may have been left incomplete by builders seeking to keep their prices competitive.

RENOVATION PLANS

Renovation intentions for the next two or three years were assessed as part of a Canada-wide survey of households CMHC commissioned in the summer of 1998.* Respondents were asked about the likelihood that they would carry out home improvement projects, how much they might be willing to spend, and where they would get information about renovations.

How many Canadian households plan improvements?

The table shows the percentage of household respondents that will

* Note: This survey was separate from CMHC's new project on *Consumer Intentions to Buy or Renovate a Home*. Comprehensive surveys were conducted in five major markets in late summer, with reports, and a national summary, available in November and December.

Renovation intentions over the next two or three years

Region	Percent Reporting	
	Definitely	Probably
Canada	11	19
Atlantic	9	21
Quebec	10	18
Ontario	12	20
Manitoba and Saskatchewan	15	23
Alberta	8	13
British Columbia	17	15

Source: CMHC Renovation Market Outlook

definitely or probably renovate over the next two or three years. While 11 per cent definitely plan to renovate, 49 per cent will definitely not renovate. The percentage of those who will not renovate ranges from 36 per cent in Manitoba to 58 per cent in the Atlantic region.

As these figures show, the Prairie provinces give the most interesting regional findings with strong intentions to renovate in Manitoba and Saskatchewan, in contrast with lower intentions in Alberta.

Not surprisingly, the survey found that intentions to renovate, and average potential spending, generally rise in higher income groups, who also tend to be groups with higher levels of education and higher-skilled employment.

Renovation intentions over the next two or three years

Household characteristics	Percent Reporting	
	Definitely	Probably
Own	15	23
Rent	3	9
Single	5	14
Married	15	22
Children under 18	17	24
No children under 18	8	16
Age 30-44	17	26
Age 45-59	13	21

Source: CMHC Renovation Market Outlook

One general theme which emerges from the survey is that the traditional household, especially in the younger half of the prime working years (ages 30-44), is the most likely renovator. These households are likely to spend more than average for improvements to better accommodate their children and lifestyle. In doing so, they expect to have many years to enjoy their renovated homes.

How much will they spend?

The survey asked how much households would be willing to spend on their improvement projects over the next two to three years. The average was \$13,000, ranging from \$20,000 in British Columbia to \$8,500 in Manitoba and Saskatchewan.

Getting information to consumers

Respondents intending to do home improvements were asked where they would get information about home renovations. The national average rankings shown in the table indicate a typical range of responses for various groups and regions.

One interesting point is the small number who would consult the Internet. The national average of two per cent is representative of the rate across many regions and household

Sources of information about renovations

	Percent Reporting
Friends and relatives	61
Consultants/staff in renovation products stores	50
Magazines	31
Renovation programs on TV	30
Books/bookstores	25
Self	6
Internet	2
Other	5
Don't know or no answer	4

Source: CMHC Renovation Market Outlook

Aftermath of the Ice Storm

What was the effect of the **Ice Storm of 98** on residential real estate, and repairs and renovations? Accurate estimates of the damage may never be made, but some statistics are available.

Statistics Canada recently (October 30, 1998) revised its statistics on alterations and improvements, including an allowance of approximately \$50 million for storm damage in Quebec in the first quarter of 1998. This is a first approximation, and it is difficult to estimate how much spending will ever be linked to the storm. In many cases, the only effect was to displace regular maintenance, or reschedule planned alterations.

A broader estimate is available from the Institute for Catastrophic Loss Reduction. As of July 21, 1998, the total value of insurance claims relating to the storm had reached \$1,100 million. Of that, approximately \$699 million was for personal property. That total overstates damage to residential real estate by a large margin as it includes real estate and other personal property losses such as damaged clothing and household effects (excluding automobile claims).

By October 1, 1998, total claims had risen to \$1,440 million, and the total will continue to grow for about 24 months after the storm as more complex commercial claims are evaluated.♦

characteristics, although the range is from zero to seven per cent. These results suggest that an Internet site may not be a critical need today.

However, many Canadian households have Internet access (13 per cent and rising in 1997), showing that the potential of the Internet for distribution of product information is still largely untapped. The Internet offers manufacturers and distributors a way to put their message directly into homes. This is an important issue as consumers learn to expect information to be on the Internet, and expect to use that information to assist them in making purchase decisions.

REGIONAL PROFILES

The outlook for renovation spending varies widely across Canada. For 1998, we expect the performance to range from a decline of 15.5 per cent in British Columbia to an increase of 15.5 per cent in Ontario, with decreases in four provinces. For 1999, we are forecasting provincial results from a drop of 7.9 per cent in Manitoba to an increase of 3.8 per cent in Newfoundland.

In Newfoundland, the economy is benefiting from job growth in its resource industries, even in the fisheries where increases in both the catch and prices of shellfish have boosted returns substantially. This will help renovation spending achieve a small increase in 1998, and lead the country in a generally weak 1999.

Prince Edward Island's agricultural and processing economy will improve in line with a good performance in key industries such as potato and tourism, both benefiting from the weak dollar. This will lead to the second highest

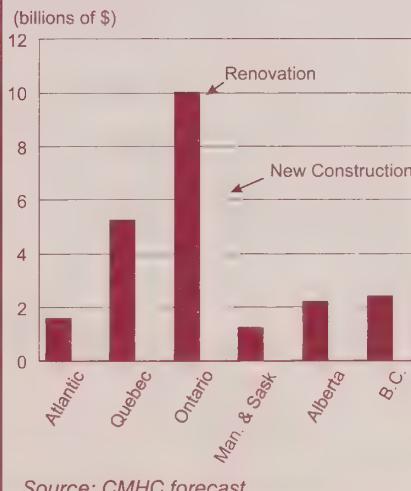
increase in renovation spending across the country at 3.3 per cent.

In Nova Scotia, the economy will be pulled along by the offshore gas project, helping income gains in the province and allowing renovation spending to show small increases in 1998 and 1999. New construction spending will turn around in 1999 with a 7.3 per cent gain following a 23.5 per cent drop in 1998.

New Brunswick will manage modest growth in 1999. Improved job prospects as a result of many investment projects will lift renovation and new construction spending in the province next year. Renovation spending will reverse itself from a decrease of 8.8 per cent in 1998 to a gain of 2.7 per cent in 1999, while new construction goes from a 4.8 per cent drop in 1998 to a 7.3 per cent increase in 1999.

Renovation spending in Quebec is expected to be down slightly in both 1998 and 1999, although repair and restoration work associated with the ice storm (see story) may add to the 1998 total. New construction spending is forecast to be down 3.6 per cent in 1999. Quebec is one of only two provinces where renovation spending will decline next year. Lower financing costs will help

Renovation and new construction spending by region, 1999



Regional Profile for Spending

		Renovations			New Construction		
		1997	1998	1999	1997	1998	1999
Atlantic	(Millions of \$)	1,620	1,598	1,631	810	704	751
	(% Change)	9.6	-1.3	2.1	2.2	-13.1	6.7
Newfoundland	(Millions of \$)	387	394	409	163	150	158
	(% Change)	9.1	1.6	3.8	9.6	-8.0	5.3
P.E.I.	(Millions of \$)	90	88	91	43	45	47
	(% Change)	23.4	-1.5	3.3	-11.2	3.5	5.2
Nova Scotia	(Millions of \$)	689	703	707	354	271	290
	(% Change)	9.3	1.9	0.6	-5.4	-23.5	7.3
New Brunswick	(Millions of \$)	454	413	424	251	239	256
	(% Change)	8.1	-8.8	2.7	13.0	-4.8	7.3
Quebec	(Millions of \$)	5,399	5,373	5,279	2,441	2,468	2,380
	(% Change)	-3.4	-0.5	-1.8	10.9	1.1	-3.6
Ontario	(Millions of \$)	8,576	9,908	10,031	6,734	7,245	7,708
	(% Change)	8.9	15.5	1.2	33.9	7.6	6.4
Prairies	(Millions of \$)	3,370	3,521	3,496	2,940	3,477	3,271
	(% Change)	20.4	4.0	-1.0	34.6	18.3	-5.9
Manitoba	(Millions of \$)	643	669	616	268	290	276
	(% Change)	2.6	4.0	-7.9	22.1	8.0	-4.7
Saskatchewan	(Millions of \$)	664	627	637	223	243	241
	(% Change)	16.8	-5.6	1.6	5.9	8.8	-0.7
Alberta	(Millions of \$)	2,063	2,225	2,243	2,448	2,949	2,757
	(% Change)	58.6	7.8	0.8	39.6	20.5	-6.5
British Columbia	(Millions of \$)	2,875	2,430	2,441	4,016	3,535	3,242
	(% Change)	12.8	-15.5	0.4	7.7	-12.0	-8.3
Canada	(Millions of \$)	21,923	22,808	22,898	17,018	17,542	17,480
	(% Change)	7.7	4.0	0.4	21.4	3.1	-0.4

Sources: Historical 1997, Statistics Canada
Forecast 1998-99: CMHC

support activity in this province as elsewhere.

Ontario's strong economy, with its lowest unemployment rates of the decade and high levels of net in-migration, is expected to produce a renovation spending increase of 15.5 per cent for 1998, before a modest 1.2 per cent increase in 1999. New construction will continue to increase, with spending forecast to be up 7.6 per cent in 1998 and 6.4 per cent in 1999.

A rebounding economy will help Manitoba achieve increases in new construction and renovation spending in 1998. A reversal is expected for 1999, with forecast declines of 4.7 per cent for new construction and 7.9 per cent for renovations.

Saskatchewan will suffer from low commodity prices. Renovation spending will be down 5.6 per cent in 1998, before rising 1.6 percent in 1999. New construction will be up 8.8 per cent in 1998, but slip back in 1999.

In Alberta's booming economy, new construction spending will be up 20.5 per cent in 1998, following a 42.8 per cent increase in 1997, before slipping back 6.5 per cent in 1999. Renovation spending will be up 7.8 per cent for 1998, before managing a minor gain in 1999.

Expenditures in British Columbia will decrease for 1998: 12.0 per cent for new construction and 15.5 percent for renovations. The sharpest declines may be over, however, with construction expected to be down 8.3 per cent in 1999 while renovation spending ekes out a very small increase. ♦

For more information about this forecast, call Gary MacDonald at Canada Mortgage and Housing Corporation, Market Analysis Centre.

Tel: (613) 748-2359

CMHC offers a wide range of housing-related information. For details, contact your local CMHC office.



act as a catalyst for existing homeowners to move up within the housing market. Consequently, 1999 will see a 13 per cent increase in new construction and a five per cent growth in resale market sales over 1998. As move-up buyers seek larger, more luxurious homes, look for the average price of both new and existing homes to rise, with the average MLS sale price for 1999 expected to reach the \$100,000 mark.

New Brunswick

Job creation gains momentum

Job creation in New Brunswick has been strong, with a gain of 6,600 new jobs between January and September 1998. Spin-offs from the thriving telecommunications industry and significant investment in highway construction have set the stage for strong employment growth to continue into 1999. With a greater proportion of full-time jobs, income generation and spending power will increase more sharply for New Brunswickers.

Fuelled by strong consumer confidence, the resale market will achieve the forecasted 4,000 sales this year. The buoyant labour market coupled with continued low mortgage rates support this sales growth. Nonetheless, with buyers remaining in the driver's seat, the average price of MLS homes has slipped 2.8 per cent. By the end of 1998, the average price of existing homes will drop to \$86,000 before climbing back to \$88,000 in 1999.

A dramatic decline in rural starts, combined with few multiple starts in urban centres, kept construction levels lower this year. The bright spot was urban singles starts, which rebounded after a weak first quarter. Housing starts are expected to reach 2,450 units in 1998, a decline of 9.3 per cent over last year. A positive employment outlook, combined with strong income gains and growing

consumer confidence are expected to support a recovery in residential construction in 1999 to 2,700 units.

Quebec

Market strength resting on existing homes

Following a broad-based slowdown at the beginning of the year, residential activity in the third quarter continued on the rebound course of the preceding quarter. The vitality of the resale market offset a decline in the new home market.

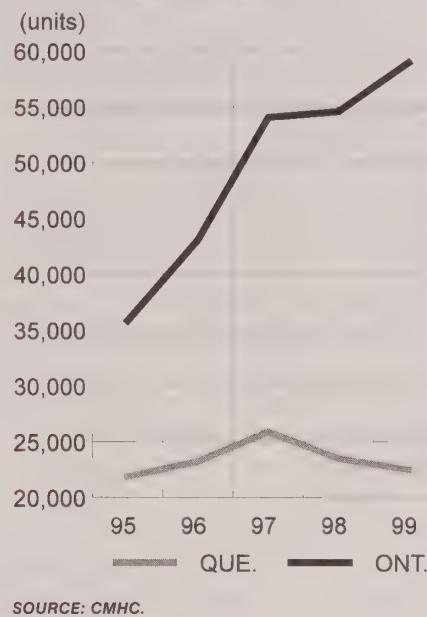
MLS sales reached 7,187 units in the third quarter, almost identical to the same quarter of 1997. The large number of resales reflected the confidence of move-up and first-time home buyers, which was buoyed by good news on the economic front, including an increase in the number of full-time jobs generated by capital investment projects.

Housing starts in the third quarter fell to 21,300 units (at a seasonally adjusted annual rate), down 12.7 per cent from the previous quarter. The decline was largely attributable to the appeal of the existing home market, which offers competitive prices and an abundant supply. The drop points to a deceleration for the current year. At best, housing starts in 1998 are expected to fall by 9.3 per cent to 23,500, followed by a further decrease to 22,500 in 1999.

After an excellent year in 1997, existing home sales will increase slightly to 43,850 units this year. MLS transactions will then decline in 1999 to 42,465 units. Sales will remain high in comparison to levels of the past two decades.

With more expensive houses accounting for a good proportion of sales, the average MLS price will post gains of 3 per cent in 1998 to \$104,800 and 2.5 per cent in 1999 to \$107,425.

Housing Starts Quebec and Ontario



Ontario

Jobs will keep home construction going

The province's homebuilding industry has experienced six Toronto-centred trade strikes with at least one trade on strike at any time between May 1 and September 14. (The labour unrest ended when sheet metal workers went to arbitration in mid-September.) Ontario's third quarter home starts fell a further 9.2 per cent on top of the 15 per cent decline experienced in the second quarter. Housing starts began to increase again in August, as workers and builders went back to work, but post-strike increases have been lacklustre. Overall, 1998 starts will remain close to last year's levels.

In a positive development for housing demand, Ontario's pace of economic expansion picked up. The number of jobs will increase by over three per cent this year — the fastest in a decade. However, the soundness of the economy is being challenged by global financial crises and prospects of a slower U.S. economy. Consumer and manufacturing optimism has also declined. Slightly

slower job growth next year will still be better than average.

Affordable mortgage rates and the housing needs of a population that has grown significantly in the 1990s and is becoming established in a faster-growing economy will reinforce the demand for homeownership.

Resale market conditions have tightened. High sales-to-new-listings ratios are signalling that demand and supply conditions will drive home prices up. Resales will remain high, but will edge down as existing home choices diminish. As a result, homeownership demand will increasingly be met by new construction, especially since inventories of newly completed and unsold homes are down. This will lead to an increase in housing starts next year.

First-time homebuyers, who tend to be more constrained by borrowing conditions will benefit from low mortgage rates. Most will turn to resale homes, but some will go with cost-competitive new construction.

Ontario's baby boomers have aged into their more affluent years. Some will be looking to move up. Those who want to cash in on equity in existing homes will find them relatively easy to sell.

Manitoba

Global turmoil threatens 1999 outlook

Robust foreign markets, expanding manufacturing capacity and flood-recovery spending pushed Manitoba's real GDP up 4.5 per cent in 1997. However, with slower world growth, and deep declines in demand for, and prices of, agricultural and other commodities, key indicators point to a weaker performance in 1998.

Employment growth is set to fall from 2.5 per cent (15,000 jobs) in 1997 to 1.5 per cent (8,000 jobs) in 1998. This coincides with

Conference Board of Canada reports that consumer confidence in the Prairies has fallen all year. Indeed, retail sales this summer grew at roughly half their spring pace. Real GDP growth is projected to slip below three per cent this year. With the global slowdown spreading, the loss of momentum in the Manitoba economy will continue into 1999, when GDP growth is expected to be closer to two per cent.

Residential construction has been strong this year, with starts slated to rise 20 per cent to 3,135 units. However, lower employment growth and weaker consumer confidence are now setting the stage for a cooler housing market in 1999. Market absorption of single-family homes declined over the first eight months of 1998, while August inventories of both single and semi-detached homes rose to roughly a 6.5 month supply, versus 5.5 months last August. Moreover, while rural construction has recently provided a significant lift to housing starts, low agricultural prices and falling farm incomes are expected to stunt this growth in coming months. Housing starts are forecast to drop nine per cent in 1999 to 2,850 units.

Saskatchewan

Housing demand remains strong despite economic slowdown

Demand for Saskatchewan's natural resource and agricultural products, the driving force behind the province's economic performance for the last two years, is showing signs of weakening. Exports for the first seven months of 1998 are down seven per cent. Farm cash receipts are down almost nine per cent, and the farm product price index indicates a year-to-date slide of 1.4 per cent. Natural gas and uranium production are off, although crude oil, coal and potash production are up.

Employment numbers remain positive, but growth has been slower than in 1997. Resource employment is flat, but manufacturing employment is up almost four per cent year to date. Average weekly salaries are also up, almost two per cent year to date.

The easing in global markets has not, as yet, affected housing demand. In fact, the number of starts is expected to surpass the total for 1997, which was the highest output in nine years. Builders have been taking advantage of rising resale prices by building lower-priced, single-family dwellings in modest urban and rural subdivisions close to cities. Multiple-housing production has peaked, as developers move into the marketing stages on a number of new projects throughout the province.

The average price of existing homes rose faster in Saskatoon in the last six years than in any other city in Canada. A scarcity of listings has frustrated potential buyers and driven up prices in almost all Saskatchewan cities. Rental market survey results are expected to show low vacancies and rapidly rising

Housing Starts Manitoba and Saskatchewan



SOURCE: CMHC.
1998-99 Forecast.

rents in most cities. This reflects rural-to-urban migration and strong growth in the number of households.

Alberta

Net migration fuels demand for housing

During the first half of 1998, migration to Alberta surged ahead by 57 per cent as 33,450 people moved to the province and fuelled the demand for housing. At the same time, strong job creation matched the increase in the labour force keeping consumer confidence buoyant.

Year-to-date housing activity shows strength in both the new and resale markets. Single-family housing starts are up 10 per cent while multiple-family starts have jumped 37 per cent in urban areas. This increase fully offsets the 17 per cent drop in multiple-family starts in rural areas during the same period. While down slightly from last year, sales of existing homes are expected to average 43,000 units in 1998.

The frenzied pace of housing activity appears to be on the wane. Employment creation and income growth in 1998 will carry momentum through the first half of 1999, but slower growth next year will limit the number of new households moving to the province.

In September, the unemployment rate jumped to 6.5 per cent after averaging 5.5 per cent over the last 12 months. Lower oil prices continue to take their toll on rig utilization rates resulting in reduced employment in the oil services sector. Manufacturing shipments continue to fall short of 1997 levels, mainly as a result of limited production of refined petroleum products. Moreover, a drop in chemical manufacturing has compounded the downward trend since May.

With slower economic growth of 2.3 per cent projected for 1999, total housing starts are expected to drop 13 per cent to 23,500 in 1999, and the number of residential resales will fall by 11 per cent.

21,600, which represents a decline of over 26 per cent from 1997, the 1999 forecast has been further reduced to 19,000 starts. With such low levels of construction, housing inventories are not expected to be over-supplied, as the industry is building to match demand.

As expected, housing markets in resource towns and in the suburban areas of larger urban areas are experiencing the greatest decrease in activity. The housing markets with the most success in recent months include urban centres where service workers prefer to locate, some retirement markets and speciality tourist areas. These activity levels reflect the areas of employment growth and decline in the province: only the service sector has managed to generate new employment, while employment in the resource sector has dropped dramatically.

In the resale market, British Columbia's average MLS price is expected to fall over three per cent in 1998 to \$213,200 and an additional two per cent in 1999 to \$209,500. MLS residential sales volumes will drop 21 per cent in 1998 to 54,000 sales and then recover slightly in 1999 with 55,200 sales. This increase in volume should stabilize housing prices as the year 2000 approaches. ■

British Columbia

Out-migration results in declining housing demand

With the B.C. economy failing to provide the job opportunities that exist in Alberta and Ontario, there is a continued out-migration of people eastward across the Rockies. Actual employment growth for the first three-quarters of 1998 bears this out: 0.6 per cent in British Columbia compared to 4.3 per cent in Alberta and 3.6 per cent in Ontario.

In the first six months of 1998, British Columbia's total inter-provincial migration posted a net loss of 8,480 people — the first time this has occurred since the early 1980s. The development and building industry has been quick to respond to this decline in demand for housing. While the 1998 housing starts forecast is on track to reach

Housing Starts Alberta and British Columbia



Housing Starts

Total (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	2405	2243	1712	2034	1696	1600	1700
%	5.9	-6.7	-23.7	18.8	-16.6	-5.7	6.3
PEI	645	669	422	554	470	485	520
%	0.2	3.7	-36.9	31.3	-15.2	3.2	7.2
NS	4282	4748	4168	4059	3813	3400	3850
%	-8.4	10.9	-12.2	-2.6	-6.1	-10.8	13.2
NB	3693	3203	2300	2722	2702	2450	2700
%	11.6	-13.3	-28.2	18.3	-0.7	-9.3	10.2
QUE	34015	34154	21885	23220	25896	23500	22500
%	-11.0	0.4	-35.9	6.1	11.5	-9.3	-4.3
ONT	45140	46645	35818	43062	54072	54600	59000
%	-19.1	3.3	-23.2	20.2	25.6	1.0	8.1
MAN	2425	3197	1963	2318	2612	3135	2850
%	5.0	31.8	-38.6	18.1	12.7	20.0	-9.1
SASK	1880	2098	1702	2438	2757	2900	2700
%	0.6	11.6	-18.9	43.2	13.1	5.2	-6.9
ALTA	18151	17692	13906	16665	23671	27000	23500
%	-2.3	-2.5	-21.4	19.8	42.0	14.1	-13.0
BC	42807	39408	27057	27641	29351	21600	19000
%	5.4	-7.9	-31.3	2.2	6.2	-26.4	-12.0
CAN	155443	154057	110933	124713	147040	*140700	*138300
%	-7.6	-0.9	-28.0	12.4	17.9	-4.3	-1.7

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1559	1455	1165	1395	1220	1200	1350
%	-3.2	-6.7	-19.9	19.7	-12.5	-1.6	12.5
PEI	460	454	364	430	374	355	385
%	9.3	-1.3	-19.8	18.1	-13.0	-5.1	8.5
NS	3126	3358	3040	3278	2939	2400	2750
%	-3.3	7.4	-9.5	7.8	-10.3	-18.3	14.6
NB	2535	2547	1722	2173	2125	2000	2250
%	6.0	0.5	-32.4	26.2	-2.2	-5.9	12.5
QUE	17136	18414	13428	14818	16073	15500	15000
%	-7.7	7.5	-27.1	10.4	8.5	-3.6	-3.2
ONT	26240	30036	20124	27019	35401	32800	36000
%	-5.8	14.5	-33.0	34.3	31.0	-7.3	9.8
MAN	1874	2441	1564	1875	2019	2525	2250
%	11.3	30.3	-35.9	19.9	7.7	25.1	-10.9
SASK	1342	1542	1341	1612	1954	2100	2000
%	-9.6	14.9	-13.0	20.2	21.2	7.5	-4.8
ALTA	13040	12671	10096	12949	18170	20000	17000
%	-7.7	-2.8	-20.3	28.3	40.3	10.1	-15.0
BC	17787	16591	11581	12447	12911	8400	8000
%	-17.2	-6.7	-30.2	7.5	3.7	-34.9	-4.8
CAN	85099	89509	64425	77996	93186	*87300	*87000
%	-8.3	5.2	-28.0	21.1	19.5	-6.3	-0.3

Multiples (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	846	788	547	639	476	400	350
%	28.2	-6.9	-30.6	16.8	-25.5	-16.0	-12.5
PEI	185	215	58	124	96	130	135
%	-17.0	16.2	-73.0	113.8	-22.6	35.4	3.8
NS	1156	1390	1128	781	874	1000	1100
%	-19.8	20.2	-18.8	-30.8	11.9	14.4	10.0
NB	1158	656	578	549	577	450	450
%	26.0	-43.4	-11.9	-5.0	5.1	-22.0	0.0
QUE	16879	15740	8457	8402	9823	8000	7500
%	-14.2	-6.7	-46.3	-0.7	16.9	-18.6	-6.3
ONT	18900	16609	15694	16043	18671	21800	23000
%	-32.3	-12.1	-5.5	2.2	16.4	16.8	5.5
MAN	551	756	399	443	593	610	600
%	-12.1	37.2	-47.2	11.0	33.9	2.9	-1.6
SASK	538	556	361	826	803	800	700
%	39.7	3.3	-35.1	128.8	-2.8	-0.4	-12.5
ALTA	5111	5021	3810	3716	5501	7000	6500
%	14.9	-1.8	-24.1	-2.5	48.0	27.2	-7.1
BC	25020	22817	15476	15194	16440	13200	11000
%	30.7	-8.8	-32.2	-1.8	8.2	-19.7	-16.7
CAN	70344	64548	46508	46717	53854	*53400	*51300
%	-6.7	-8.2	-27.9	0.4	15.3	-0.8	-3.9

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	1867	1873	1655	2005	2170	2200	2250
%	2.1	0.3	-11.6	21.1	8.2	1.4	2.3
PEI	654	599	476	750	806	1015	1020
%	8.3	-8.4	-20.5	57.6	7.5	25.9	0.5
NS	7180	7140	7019	8372	7567	7800	8200
%	3.2	-0.6	-1.7	19.3	-9.6	3.1	5.1
NB	3483	3339	3496	4023	3941	4000	4100
%	-1.9	-4.1	4.7	15.1	-2.0	1.5	2.5
QUE	31875	33575	29824	39194	43405	43850	42465
%	-0.2	5.3	-11.2	31.4	10.7	1.0	-3.2
ONT	106803	115185	104993	137921	140608	139000	136000
%	-6.6	7.8	-8.8	31.4	1.9	-1.1	-2.2
MAN	10546	10825	9749	10965	11180	10990	10770
%	-7.4	2.6	-9.9	12.5	2.0	-1.7	-2.0
SASK	7375	7459	7349	8689	8346	8200	8100
%	-5.8	1.1	-1.5	18.2	-3.9	-1.7	-1.2
ALTA	37024	32512	29098	37485	43693	43000	38500
%	-3.9	-12.2	-10.5	28.8	16.6	-1.6	-10.5
BC	80919	75270	58082	72182	68182	54000	55200
%	-13.5	-7.0	-22.8	24.3	-5.5	-20.8	2.2
CAN**	287726	287777	251741	321586	329898	*314100	*306600
%	-7.4	0.0	-12.5	27.7	2.6	-4.8	-2.4

Average Residential Price (dollars and annual per cent change)

	1993	1994	1995	1996	1997	1998(F)	1999(F)
NFLD	91243	91697	89525	93661	92226	91500	92000
%	-0.4	0.5	-2.4	4.6	-1.5	-0.8	0.5
PEI	72422	78753	73807	83923	86402	79500	79000
%	-4.2	8.7	-6.3	13.7	3.0	-8.0	-0.6
NS	88965	91109	89788	93444	96693	98000	100000
%	1.5	2.4	-1.4	4.1	3.5	1.4	2.0
NB	84951	84149	83994	84198	87205	86000	88000
%	3.0	-0.9	-0.2	0.2	3.6	-1.4	2.3
QUE	102447	102242	98837	98603	101752	104800	107425
%	0.1	-0.2	-3.3	-0.2	3.2	3.0	2.5
ONT	156555	160158	154606	155662	164382	167300	172000
%	-3.1	2.3	-3.5	0.7	5.6	1.8	2.8
MAN	81746	83761	81897	85318	85404	86260	86000
%	1.3	2.5	-2.2	4.2	0.1	1.0	-0.3
SASK	70698	72738	73796	77478	83978	88500	93000
%	3.4	2.9	1.5	5.0	8.4	5.4	5.1
ALTA	117085	117336	114772	117673	124865	134000	138000
%	3.1	0.2	-2.2	2.5	6.1	7.3	3.0
BC	211992	229514	221860	218687	220512	213200	209500
%	11.6	8.3	-3.3	-1.4	0.8	-3.3	-1.7
CAN**	152961	158354	150368	150848	154658	*153400	*156500
%	2.2	3.5	5.0	0.3	2.5	-0.8	2.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

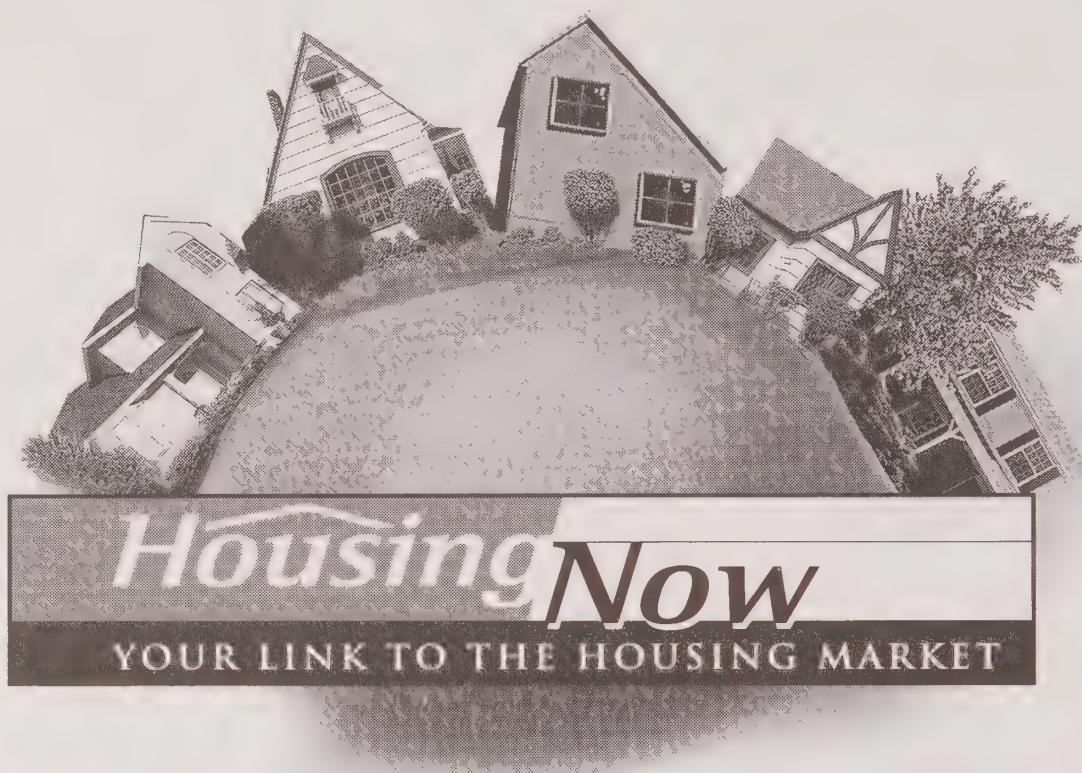
	97:Q1	97:Q2	97:Q3	97:Q4	98:Q1	98:Q2	98:Q3
New housing							
Building permits, units, thousands	162.8	150.8	159.2	150.1	151.1	145.3	141.9
%	11.7	-7.4	5.6	-5.7	0.7	-3.9	-2.3
Housing starts, total, thousands	151.6	145.0	148.3	148.2	151.0	137.9	131.3
%	15.0	-4.4	2.3	-0.1	1.9	-8.7	-4.8
Housing starts, singles, thousands	100.2	91.1	93.8	92.1	91.1	86.4	83.1
%	22.8	-9.1	3.0	-1.8	-1.1	-5.2	-3.8
Housing starts, multiples, thousands	51.4	53.9	54.5	56.1	59.9	51.5	48.2
%	2.4	4.9	1.1	2.9	6.8	-14.0	-6.4
Housing completions, total, thousands	133.5	147.8	141.9	148.4	145.9	137.3	127.7
%	8.1	10.7	-4.0	4.6	-1.7	-5.9	-7.0
New house price index, 1992=100	98.7	99.1	99.2	99.5	99.8	100.0	100.2
%	0.4	0.3	0.1	0.3	0.3	0.2	0.2
Existing housing							
MLS resales, units, thousands	351.1	331.1	325.4	313.3	291.9	327.7	327.8
%	-7.4	-5.7	-1.7	-3.7	-6.8	12.3	0.0
MLS average resale price, \$C thousands	153.5	156.1	154.8	154.0	152.5	152.0	151.3
%	1.5	1.7	-0.9	-0.5	-1.0	-0.3	-0.4
Mortgage market							
Mortgages outstanding, \$C billions	362.3	367.2	370.9	374.5	378.9	384.4	..
%	1.7	1.3	0.9	1.0	1.2	1.4	..
Mortgage approvals, \$C billions	84.1	76.7	73.7	67.3	66.9	75.2	..
%	-2.5	-8.8	-4.0	-8.7	-0.6	12.4	..
1-year mortgage rate, per cent*	5.15	5.38	5.65	5.98	6.40	6.55	6.68
5-year mortgage rate, per cent*	7.18	7.33	6.95	6.82	6.85	6.95	7.08
Residential investment**							
Total, \$1992 billions	41.1	42.1	43.1	43.0	43.9	43.9	..
%	0.0	2.4	2.6	-0.3	2.1	-0.2	..
New, \$1992 billions	19.7	21.0	22.0	22.0	22.9	21.7	..
%	0.0	6.5	4.8	0.1	4.1	0.9	..
Alterations, \$1992 billions	12.7	13.0	13.5	13.6	13.8	14.2	..
%	0.0	2.7	3.4	0.7	2.2	2.4	..
Transfer costs, \$1992 billions	8.7	8.1	7.7	7.4	7.2	6.6	..
%	0.0	-7.3	-4.5	-3.3	-3.5	-8.5	..
Deflator, 1992 =100	106.0	106.4	107.4	107.1	107.4	107.8	..
%	0.0	0.4	0.9	-0.3	0.3	0.4	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.



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Executive Summary

Canada

Faster growth will wait until the year 2000

In addition to being disrupted by extraordinary factors (ice storm, work stoppages in Ontario), the residential construction industry had to deal with a drop (18.8%) in the number of international immigrants in 1998. Over the 12-month period ending in September 1998, nearly 181,000 immigrants arrived in Canada, compared to 223,000 during the preceding 12-month period. This reduced migratory inflow marginalized the very positive nature of the economic fundamentals that were prevailing early in the year. Consequently, housing starts reached 137,439 in 1998, making for a 6.5% decrease from 1997. The resale market declined following the record level of transactions posted in 1997. A 4.8% drop brought the number of MLS sales to 314,200 for 1998.

This year, housing markets will continue to benefit from favourable credit conditions, but it looks as if fewer jobs will be created and consumers will be less optimistic. The Canadian economy will have to contend with the effects of the Asian financial crisis and the anticipated slowdown in the American economy. Next year, the global economic recovery and stronger demand and prices for raw materials should enable the Canadian economy to boost its exports to Asia. This will benefit the economy and employment in many provinces, particularly British Columbia. Canadian GDP should increase by 2.0% this year and 2.4% in 2000.

Total housing starts should remain at 137,000 units this year. The anticipated drop (3.0%) in multiple housing starts will be offset by renewed activity in the detached home building segment (1.2%).

Significant growth will be the order of the day in 2000, when the volume of housing starts should attain 144,700 units.

The resale market will post modest but sustained growth over the next two years. MLS sales should stabilize at 314,800 transactions this year (0.2%) and 316,000 in 2000. As well, the national average MLS price should increase faster, reaching \$154,800 (+1.6%) in 1999 and \$158,300 (+2.3%) in 2000.

Newfoundland

Small gains in housing starts in 1999

The resale market in Newfoundland had a record year in 1998, as 2,288 MLS transactions were registered. This contrasts with the sluggishness of the residential construction sector, which reached its lowest level in 40 years. The province is still suffering from a high emigration level. Total housing starts attained 1,450 units in 1998.

Newfoundland's economy will draw its growth from the oil and gas industry in 1999. Increased oil production on Hibernia and the start-up of the Terra Nova project will be the major factors enabling the province to post economic growth of 3.5% in 1999. Next year, the economy will expand more slowly (1.5%), with further delays expected in relation to the start-up of the Voisey's Bay mining project. More favourable prospects in the fisheries sector will also contribute to employment growth (+1.5%) this year.

Over the next two years, the increase in housing starts will be restricted by emigration and the end of fisher compensation programs. A more limited selection on the resale market should enable the province to post a slight gain in housing starts in 1999 (+3.4%). The total

number of starts for the province will be 1,500 units this year and next year. The volume of MLS transactions, for its part, will remain high at 2,275 in 1999 and 2000.

Prince Edward Island

Housing market benefits from tourist spin-offs

An increase in housing starts to 524 units and a high level of activity on the resale market in 1998 are directly linked to the vigorous tourist sector in Prince Edward Island.

The tourist industry and favourable prospects for the agri-food sector will continue to fuel provincial economic growth, which will reach 1.7% this year and next year.

Like in 1998, the demand for detached homes in the rural areas will stay strong over the next two years. Rental construction in urban centres will remain significant, despite the high vacancy rate. As a result, the number of housing starts will rise slightly in 1999 and 2000, attaining 535 and 550 units, respectively. On the resale market, potential buyers will continue to benefit from excellent buying conditions, as the supply will still be considerable. Prices will remain low, and the number of transactions will be above the 1,100-unit mark for the next two years. The demand for country homes and seasonal residences will continue to favour a high level of activity on the resale market.

Nova Scotia

Province will again benefit from gas deposit development

It was a lukewarm year on the housing markets in 1998. After a relatively slow

start, the resale market generated the second highest number of transactions (8,052) in its history. On the other hand, even with favourable economic conditions, housing starts fell by 18% in 1998, on account of a large number of new units still in stock as a result of the significant level of building on speculation recorded in 1997.

The economic outlook is encouraging for Nova Scotia. Non-residential building and especially the construction of the Sable Island gas pipeline are the engines of Nova Scotia's economic growth, which will be one of the strongest in Canada this year.

Increased employment and consumer optimism should enable housing starts to post a 13% gain to 3,550 units in 1999. One third of the units started this year will be multiple housing. Next year, the volume of starts will decline to 3,450 units.

In 1999, the volume of resale transactions will be higher than the 1998 level, attaining the 8,200-unit mark and then falling back to 7,800 units the next year.

New Brunswick

Residential construction to recover in 1999 and 2000

Residential construction declined by 9.4% in 1998. Economic difficulties in the northern part of the province and rural areas contending with a weak demand and low prices for commodities on global markets partly account for this decrease. As well, multiple housing construction fell to its lowest level since 1984 as a result of the high rental vacancy rates in urban centres.

New Brunswick's economy should grow by 2.0% in 1999 and 1.8% in 2000. Major construction projects such as the Sable Island gas pipeline and the Moncton-Fredericton highway will bring up the level of employment by 1.6% in 1999 and 1.1% in 2000.

The provincial volume of transactions on the resale market will reach 3,900 units in 1999 and 3,800 in the year 2000, but price increases will be limited by an abundant supply of houses for sale on

most markets. Stimulated by economic growth and job creation, housing starts will reach 2,575 units this year and 2,700 next year. The Saint John area will post the most significant gains.

Quebec

Slight decline in activity this year

Residential construction and resale volumes will sustain slight downturns in 1999. For housing starts, the slowdown that began in 1998 will continue. In contrast, the decreases anticipated for the next two years on the resale market should not detract attention from the fact that this sector will remain very active. The resale market will benefit from a greater presence of move-up buyers and increased transactions in the upscale niches. Since 1997, the resale market in Quebec has posted its best moments of the past two decades, and prices are on the rise. The overall volume of MLS sales will reach 43,200 units in 1999 and 42,300 in 2000.

Total housing starts will top off at 22,500 units in 1999 before rebounding to 24,000 in the year 2000. Despite all this, detached home building will make gains. The slowdown will mostly affect the multiple housing construction sector, where starts will slide from 8,453 in 1998 to 7,500 in 1999 and 2000.

As in most provinces, economic growth in Quebec should slow down in 1999 (+1.8%), before recovering in 2000 (+2.3%). And, residential construction in Quebec is following the same pattern as economic activity.

Ontario

Continued growth in 1999 and 2000

Housing starts jumped by 17.4% in the fourth quarter, for a total of 56,800 units (SAAR), compared to 48,400 units (SAAR) in the third quarter. Activity was up for both single-family and multiple housing. The number of starts in 1998, a year marked by the strikes in the Toronto metropolitan area, attained 53,830 units, or about the same level as that recorded in 1997 (54,072 units).

The demographic context and economic conditions in Ontario are currently fostering a greater housing

demand. Ontario is the province that least depends on natural resources. In spite of the low prices for natural resources and more moderate economic growth prospects at the national level, job creation will maintain a good pace in Ontario. Provincial exports will continue to benefit from a robust American economy and a weak Canadian dollar. Interprovincial migration will be increasingly favourable to Ontario, while international immigration will continue to play a central role in relation to the housing demand.

In 1999, total housing starts in Ontario should rise by over 10% to 59,500 units and then attain 63,000 units next year. The growth will be divided between the single-family and multiple housing sectors. In contrast, the resale market will post limited growth, on account of a decrease in the number of properties for sale, particularly in the most affordable segment. In general, the increase in the average resale price should be slightly higher than the inflation rate.

Manitoba

Residential construction to pause in 1999

Residential construction in Manitoba was on the rise for a third consecutive year in 1998, but economic growth prospects indicate that the number of housing starts will decline this year. In 1999, total housing starts will decrease by 10.7% to 2,585 units, before rebounding by 5.2% to 2,720 units in 2000.

After a marked slowdown in 1998, Manitoba's economic growth will remain slow in 1999 and 2000, proceeding at a pace of 2.0% and 2.2%, respectively. Manitoba will continue to be affected by depressed global prices, which are having a severe impact on the resources sector, and by duller prospects for the American economy, to which the province's manufactured products are exported. However, the housing market could benefit from a less unfavourable migratory balance this year. It is anticipated that the number of Manitobans leaving the province will decline by half in relation to 1998.

The resale market will remain stable. The number of MLS transactions will hover around 11,000 units over the next two years.

Saskatchewan

Strong housing demand will be maintained despite the economic slowdown

Saskatchewan's economy is decelerating as global prices for natural resources are declining. Still, housing demand remains strong, as the migratory balance reached its highest level in 14 years in the third quarter of 1998 and the provincial resale and rental markets are very tight. Last year, housing starts reached their highest level in 10 years (2,965 units). The 3.3% drop in MLS sales in 1998 was in fact attributable to a shortage of existing good-quality, affordable home listings, rather than to a weak demand.

The provincial GDP should increase by 2.3% in 1999 and 2.0% in 2000. Employment will follow the same trend, increasing by 1.5% this year and 1.2% next year.

With continued economic growth, Saskatchewan markets will do well again in 1999 and 2000. Housing starts will remain high at 2,850 units this year and 2,750 next year to meet the growing demand from first-time buyers who are opting for new homes in view of the increases in existing home prices and rental rates. The decrease in the number of active listings will limit the volume

of transactions in 1999 and 2000 to 7,800 units.

Alberta

Growth to run out of steam

Despite a decelerating economy, Alberta posted a solid performance in terms of housing starts (+15%) in 1998. The considerable migratory balance continued to support the strong demand for new housing. On the other hand, the economic slowdown was felt on the resale market, and the number of transactions remained short of the record level attained in 1997. This did not prevent the average price from progressing by over 6%.

The province's economic growth will slow down in 1999 on account of the low global prices for raw materials. Fortunately, the robust American economy and sound performance of gas exports to our southern neighbours are mitigating the effects of the depressed global prices. The increase in employment will be limited to 2%, as downsizing is anticipated in the oil industry over the coming months. Growth should begin to accelerate next year, when several Asian countries will come out of their economic slump.

Total housing starts will fall to 23,000 units in 1999 and then to 21,000 units in 2000. This year and next, Alberta's migratory balance will decline, thereby reducing the need for new housing accordingly.

On the resale market, the number of transactions should continue to decrease this year and in 2000.

British Columbia

Another difficult year in 1999

The slowdown in population growth in British Columbia is at the root of a 32% drop in housing starts in 1998. Emigration to Alberta and lower international immigration considerably reduced the need for new housing. Areas where the economy is very dependent on exports of natural resources were the hardest hit by the Asian crisis. At the same time large urban centres did better due to their service-oriented economic base.

Since no significant increase in either prices or the demand for raw materials is expected in 1999, the economic situation will remain difficult in B.C., and total housing starts will drop to 18,400 units (-7%). Some indicators suggest, however, that the Asian economy will be revitalized at the beginning of the year 2000. This recovery is the spark that the British Columbian economy needs to get back on the road to growth next year (+1.5%). A greater demand and small inventories will drive up housing starts by 25% to 23,000 units next year.

The first sign of market recovery in British Columbia will come from the resale sector. This year, MLS sales should reach 58,000 units (+10%), and grow by another 7% in 2000 (62,000 MLS transactions). ■

Canada

by Philippe Le Goff



Housing Market Review

Weak immigration and a series of disturbances will have marked 1998

While most of the economic fundamentals were working towards sustained growth in 1998, the vigour on the markets was confronted with a decrease in international immigration and some extraordinary factors.

Housing demand in Canada is increasingly dependent on international migration. In 1998, the residential construction industry had to contend with a drop of 18.8% in the number of international immigrants. Over the 12-month period ending in September 1998, close to 181,000 immigrants arrived in Canada, compared to 223,000 during the preceding 12-month period. This

annual deficit of over 40,000 people was largely responsible for the disappointing level of housing starts last year.

Attention was diverted, however, to a series of extraordinary events. After the ice storm in Quebec in January, Ontario saw its pace slow down as of the second quarter on account of a series of strikes by the building trades in the Toronto metropolitan area. These work stoppages went on until the middle of the summer. The high season for the housing market was compromised from then on, and efforts to catch up in the fall were insufficient.

Furthermore, the Asian crisis and the drop in both the demand and the prices for raw materials hurt the economy and residential construction in B.C. In the midst of the turmoil, the Prairies continued on their road to growth thanks in part to the significant interprovincial migration to Alberta. Lastly, in the Atlantic provinces, the large projects have not yet generated, in 1998, the anticipated spin-offs for the housing market.

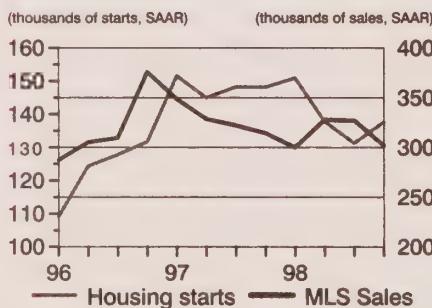
In 1998, 137,439 housing units will have been started, or 6.5% fewer than in 1997. Single-family home building attained 86,431 units last year, compared to 93,186 in 1997, making for a decrease of 7.2%. Multiple housing construction will have managed slightly better, as the decline in this segment was 5.3%.

The resale market remained vigorous in 1998. But even with 314,200 transactions, this market is still posting a decrease of 4.8 % in relation to 1997. It should be pointed out that 1997 was a

record year for transactions and that the resale market has been benefitting from very favourable conditions for over three years now. As a result, numerous first-time home buyers have already taken advantage of the low financing rates and home prices. This reduction in the number of potential buyers explains the downward trend in the number of transactions.

In most areas, conditions remained conducive to home buying. The Calgary area was undoubtedly the most notable exception, as the migratory inflow over the last three years has created conditions that are very favourable to sellers. Nationally, the average price decreased by 1.5% to \$152,398 in 1998. This decline in prices was essentially due to the slowdown in activity in B.C. where prices are high.

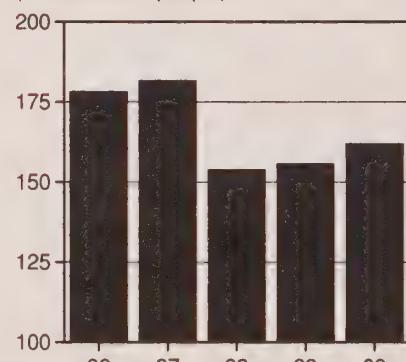
New construction up, resales down



SOURCES : CMHC, Canadian Real Estate Association.
* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Total net migration to Canada has weakened

(Thousands of people)



SOURCE: Statistics Canada.
1998 estimate by CMHC, 1999-2000 forecast by CMHC.

All in all, the real estate market will have benefitted from favourable factors in 1998

Had it not been for the extraordinary elements that came to disrupt residential construction, the volume of starts was able to rest on some very positive factors in 1998, including the low cost of mortgage financing, the strong growth in employment and the high level of consumer confidence during the first half of the year.

Despite mortgage rate volatility resulting from the ups and downs of the Canadian dollar over the summer, mortgage loan financing costs continued to be favourable to the real estate market in 1998. The interest rate hike in August, to protect the value of the Canadian dollar, undoubtedly affected the confidence of consumers much more than their actual ability to acquire or finance a home. As the increase in mortgage rates was only short-lived, it was mainly those who renewed their mortgage loans at the very end of the summer who sustained the greatest impact.

During the year, the rate for a five-year term climbed up to 7.55% before ending the year at 6.6%, a new all-time low. The one-year rate also followed a switchback course, rising up to 7.45% in late August, at the height of the dollar crisis, but closing the year at 6.20%.

All year, fear of an economic slowdown coming from Asia, raw materials and the Canadian dollar were at the forefront of the economic scene. After a solid start in 1998, the economy continued to grow but at a slower pace. The gross domestic product (GDP) rose at an annual rate of 3.7% during the first quarter, compared to 1.4% and 1.8% in the second and third quarters, respectively. The growth in the GDP should be stronger in the fourth quarter than in the two previous quarters.

The Canadian economy generated 385,000 jobs in 1998 (+2.8%), the highest level of job creation this decade. The labour force participation rate went up by 0.8 of a percentage point to 65.6%,

making for the first significant annual increase this decade.

Economic Outlook for 1999-2000

Canada will not be able to escape economic slowdown indefinitely

In light of the positive data regarding employment and the expected growth in the GDP for the last quarter of 1998, there is reason to believe that the Canadian economy has so far managed to offset the negative effects of the drop in both prices and demand for raw materials. Certain sectors of the Canadian economy are experiencing difficulties, but these remain isolated and limited, thanks to the weakness of the Canadian dollar. Canada remains vulnerable though on two fronts: through its trade with countries that are experiencing serious economic difficulties and, indirectly, by means of the slowdown in growth expected in the United States, where over 80% of our exports are directed. In this context, it is estimated that the Canadian GDP will grow by 2.0% in 1999 and by 2.4% in the year 2000, compared to 2.8% in 1998.

Slowdown in employment growth

A weaker demand for Canadian products on the part of our trade partners will impact on business profits and investments over the next two years. The strong job creation recorded in 1997 and 1998 will not be repeated in 1999 and 2000. Employment should grow by 2% this year and by 2.2% next year.

It normally takes a long continuous period of job creation before bringing about any change on the housing market, and the impact is delayed by several quarters.

Employment in the primary and manufacturing sectors is dependent on the economic vitality of our trade partners and Asian crisis is beginning to have an impact. From December 1997 and December 1998, employment in the manufacturing sector went up by only

15,000 jobs, in comparison with 132,000 during the previous period. As well, after three years of relative stability, employment fell by 32,000 jobs (11%) in the primary sector, as a result of the low prices for commodities. The job losses were concentrated in mines, quarries and oil wells.

Mortgage rates should rise

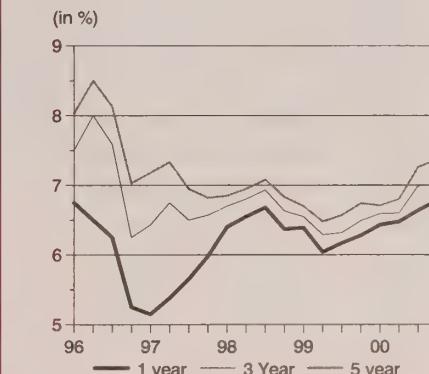
Several factors will be favouring the fixed-income market and working in favour of lower mortgage rates over the next few months:

- continued volatility on global stock markets, enhancing the appeal of fixed-income securities;
- higher risk of an economic slowdown in G-7 countries and greater possibility of a recession in several emerging economies;
- lack of inflation; and
- budget surpluses for the federal government and most provinces.

As well, weak demand and low prices for commodities could put downward pressure on the Canadian dollar and attenuate the factors favouring a decline in interest rates. In short, mortgage rates should decrease over the next few months before increasing in the year 2000.

Fluctuations on the financial markets have brought lenders to require larger mortgage-GOC bond rate spreads than before. Greater financial stability towards the end of the year will reduce the spreads

Mortgage rates will rise but remain affordable



SOURCE: Bank of Canada.
1999-2000 forecast by CMHC.

observed and drive down mortgage financing costs. Rate discounts, ranging from $\frac{1}{4}$ to $\frac{3}{4}$ of a percentage point, will remain an important competitive tool in 1999.

The mortgage rates for one-year, three-year and five-year terms should respectively be in the 6.00%-6.75%, 6.25%-7.00% and 6.50%-7.25% ranges in 1999, before rising in the year 2000 with the interest rate hike.

Consumer confidence, the Canadian dollar and stock markets

Consumer confidence reached an enviable level in the first few months of 1998, when everyone was predicting remarkable growth for the Canadian economy where jobs, low interest rates and budget surpluses would converge. The optimism eroded over the summer, though, on account of the bad economic news from Asia, the weakness of the Canadian dollar and the jolts on the stock markets.

In the third quarter, consumer confidence, as measured by the Conference Board of Canada index, then dropped to the average level for 1991, a recession year. However, it bounced back up in the fourth quarter following good news on the labour front and on stock markets. Consumer confidence will remain key to the vitality of housing markets.

Weak international immigration is hindering the housing markets

International migration now exceeds natural growth in contributing to the overall progression of the population. Since the end of 1997, Canada's net migratory balance has been on the decline because of reduced Asian immigration. The downturn in economic growth in Canada in 1999 should maintain immigration below targets, and thereby curb residential construction.

Interprovincial migratory movements are also a determining factor for housing demand, as was observed in British Columbia in the 1980s and more recently in Alberta. The latest movements and the

prospects for employment growth suggest that Ontario is in a good position to increase its share of interprovincial migration over the next two years.

Housing Market Outlook

Stability this year and growth next year

The number of housing starts will remain stable this year before posting an interesting gain in the year 2000. In 1999, 137,000 units should be started, while the construction of new homes will reach 144,700 units in the year 2000. Growth next year will be attributable to the deferred impact of strong job creation since 1997, vacancy rate decreases on most rental markets and the gradual recovery of the international migratory balance. A significant increase in starts is anticipated in British Columbia next year, when the provincial economy should benefit from the economic recovery in Asia.

Still, from a historical perspective, residential construction is currently at a standstill in Canada. With regard to demand:

- Household disposable income, presented by many as the key reason behind the poor performance of residential construction in Canada over the last few years, should rise by 1.6% in 1999 and more vigorously (2.6%) in the year 2000.
 - Demographic growth remains modest, and job creation among the younger cohorts, who are most inclined to rent or buy a first home, is too recent to produce spin-offs before the beginning of the year 2000.
- On the supply side:
- In a growing number of urban centres, vacancy rates are down and several of them are shortages of vacant units (Toronto, Calgary, etc.). This leaves some room for potential gains in rental housing starts.
 - Construction costs and new home prices should register a modest progression of around 2% in 1999 and

2000, largely because of increases in the cost of labour in many areas across the country. Other than in a handful of urban centres, this situation will continue to favour homeownership and the construction of new homes.

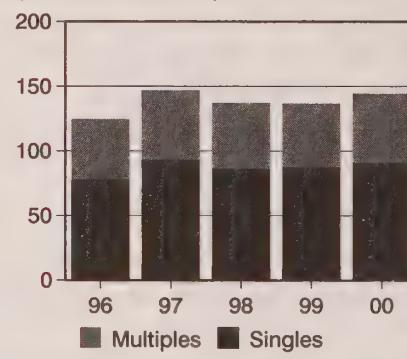
- The level of new home stocks stabilized in 1998 and remains very low compared to the last phase of the economic slowdown in 1995. Given that building on speculation has disappeared in the vast majority of metropolitan areas.

Increase in single-family housing starts

Single-family housing starts will rise by 1.2% to 87,500 units in 1999, and by a further 3.9% to 90,900 units in the year 2000, stimulated by the repeated employment gains in the last 24 months. Multiple housing construction, however, will still be reflecting the difficulties on the real estate market in British Columbia. The expected increase in rental housing construction, on account of the major drop in vacancy rates in 1998, will only partially offset the downward trend in condominium apartment production in B.C. As a result, multiple housing starts will decline by 3.0% to 49,500 units this year. Multiple housing construction will then bounce back up by 8.7% to 53,800 units next year, thanks to a more vigorous international migratory inflow and better prospects on the Pacific Rim.

Singles strengthen, multiples recover in 2000

(thousands of starts)



SOURCES : CMHC.
1999-2000 forecast.

The resale market catches its breath

The resale market will continue to post a volume above 300,000 transactions over the next two years. This year, it is expected that MLS sales will remain stable at around 314,800 units, an increase of 0.2% over the level recorded in 1998.

In the year 2000, the volume of sales should post a similar gain (0.4%) when 316,000 transactions are expected. The

resale market is therefore holding steady while the first-time home buyer pool is being replenished and move-up buyers are gaining more confidence. This last group was very active on the markets in 1997 and during the first half of 1998.

In 1999, price performance of the resale market in certain metropolitan areas such as Toronto, Calgary and Montréal will offset weakening prices in B.C. The national average price of existing home

transactions will rise by 1.6% to \$154,800 in 1999. In the year 2000, it will increase by 2.3% to \$158,300 in the year 2000 as a result of improved market conditions in Vancouver. ■

CANADA MORTGAGE AND HOUSING CORPORATION



HOUSING STARTS HERE

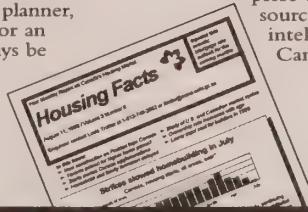
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CMHC SCHL
Canada

Housing starts in Canada will stabilize at about 150,000 units in 2002 and 2003

An improvement in the economic and financial environment and the expectation of lower population growth have led to a revised long-term (five-year) forecast for housing starts. The new forecast is for housing starts to consolidate this year and to average between 145,000 and 150,000 units per year afterward.

Economic conditions more favourable to household formation

If job creation continues strong, as it has since 1997, the labour force participation rate will increase. This in turn will stimulate household formation and raise housing demand. A number of other conditions will also characterize the economic and financial environment:

- The real disposable income of households will grow once again.
- There will be a modest increase in mortgage rates beginning next year.
- Construction costs and prices will rise slightly, between one and two per cent per year in real terms.

- Household size will remain at 2.7 persons per household until 2003.
- There will be a gradual recovery in international immigration.

Housing starts are expected to stabilize in the long term because CMHC now expects less international immigration than in our last forecast. The forecast for the period 1996 to 2001 assumed that interprovincial migration would favour western part of the country and that household formation levels would result in an average of 171,000 housing starts per year. New projections now favour Ontario, and we foresee less household formation and a lower net migration level. All these factors together will limit growth in housing starts.

The basic assumptions of the current forecast also mean that housing starts growth will not be uniform across the country. Tight market conditions will continue to prevail in a few metropolitan areas favoured by interprovincial migration

apartments, non-residential buildings converted into housing units, mobile homes and seasonal dwellings converted into permanent residences.

Gradual increase in housing starts until 2002

Housing starts will be on the rise until 2002, but will then reach a ceiling. A number of factors will limit demand at that time: the slowdown in the overall growth of the population, the decrease in the number of people of household formation age and the moderate level of immigration. The number of housing starts could reach 147,000 units in 2001, and 150,000 units in 2002 and 2003.

Countervailing demographic factors

Our outlook foresees less housing demand than might be expected from these economic factors, because they will be outweighed by other developments:

- The Canadian population will grow by about 1.0 per cent per year until 2003.
- Canada's net migratory balance will be around 170,000 persons annually.

Housing supply not limited to starts

Considerable housing demand will continue to be met by the available supply of housing units other than new dwellings. These include accessory

Forecast risks

If a marked economic slowdown puts the brakes on job creation, the calculations in this forecast would be affected. Periods of slow economic growth typically reduce household formation and result in lower international immigration levels. On the other hand, the steady continuation of growth could increase the labour force participation rate and bring about a higher level of household formation. ■

Housing Starts - Canada

	1999	2000	2001	2002	2003
Singles	87,500	90,900	92,000	93,000	92,000
Multiples	49,000	53,800	55,000	57,000	58,000
Total	137,000 ^{**}	144,700	147,000	150,000	150,000

Newfoundland

by Brian Martin



Highlights

- Economic growth strongest in Canada in 1999.
- Resale market maintains strength.
- Out-migration remains major drag on residential construction.

Housing starts hit 40-year low as MLS sales post all-time high

Persistently high levels of out-migration remained a major drag on residential construction throughout the province in 1998. They combined with strong competition from the existing homes

market and an oversupply of rental housing to drop total provincial starts to their lowest level in 40 years. Delays in a number of residential developments also hampered home building activity, particularly in urban centres. As a result, fourth quarter starts in urban Newfoundland declined by just over one third. The resale market remained the bright spot during the fourth quarter, with MLS sales maintaining a record pace and transactions in central Newfoundland almost doubling the pace of the previous year.

Employment growth of around 1.5 per cent should be stimulated in 1999 by construction employment on Terra Nova, plus further development of offshore oil and gas resources, which will support additional investment in onshore related services, in addition to increased processing as a result of a further recovery in fish landings. Employment will remain stable in the year 2000, when additional gains in the fishery are largely offset by the end of the construction phase of Terra Nova.

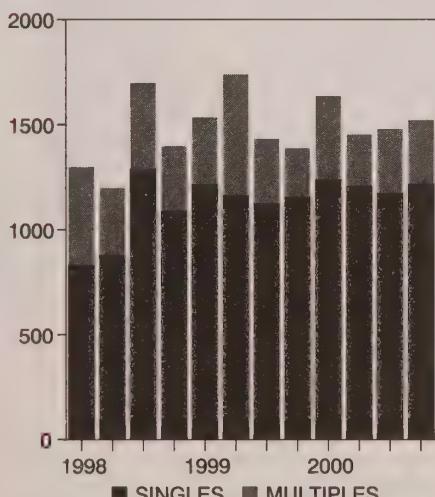
The lowest nickel prices in more than a decade and ongoing issues involving the extent of development plans for Voisey's Bay have stalled the project indefinitely. As a result, the outlook for the province's mining industry is substantially lower than in recent forecasts.

The fishing industry will record modest growth in 1999-2000. Shrimp landings are steadily increasing and, as groundfish stocks slowly recover, harvesting quotas can be expected to improve. Following a prolonged labour dispute in 1998, newsprint shipments should also recover and provide a boost to manufacturing and resource-based output. Employment in 1999 will also benefit from a return to normal levels in wood-harvesting operations.

Personal incomes are expected to grow slightly in the near term, reflecting modest wage gains and an infusion of money flowing from licence buyouts under the final fisheries adjustment program. However, growth in retail trade will be tempered by out-migration and reductions in employment insurance benefits.

Housing Starts NEWFOUNDLAND

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

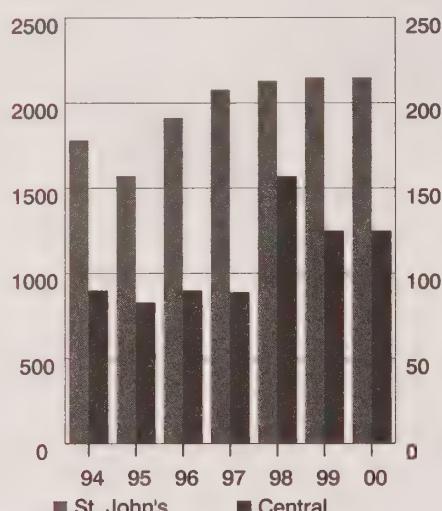
Economic growth strongest in country in 1999

Although delays in the massive Voisey's Bay development have resulted in a weaker economic outlook, Newfoundland's economy is still expected to lead the nation in growth this year. Increased oil production from the Hibernia field and stepped-up construction activity on the Terra Nova project will be the major contributors. As a result, real GDP is forecast to increase by a healthy 3.5 per cent in 1999. The outlook for 2000, assuming further delays in Voisey's Bay, calls for only modest economic growth of around 1.5 per cent. An increase in oil production at Hibernia beyond levels previously estimated plus a pick up in construction activity from the Terra Nova project are expected to account for much of the growth in GDP in 1999.

MLS residential sales remain strong

NEWFOUNDLAND

(St. John's - unit sales) (Central - unit sales)



SOURCE: St. John's Real Estate Board, Central Newfoundland Real Estate Board. 1999-2000 forecast by CMHC.

Despite a positive outlook for the economy as a whole, the continued exodus from the province and the end of compensation to fishery workers will continue to have a dampening effect on housing demand, particularly on residential construction in rural areas of the province.

Housing starts improve but only slightly

Following 40-year lows, residential construction activity is forecast to improve slightly this year and remain at roughly the same level in the year 2000. Modest employment and income growth, favourable interest rates and tightening supplies of good-quality existing homes will be the major contributors. Starts should also be bolstered by the introduction of a number of recently developed subdivisions that encountered delays in 1998.

Starts in rural areas will remain depressed, as mobility assistance grants and the end of financial compensation to displaced fishery workers maintain high levels of out-migration. On the upside, employment gains stemming from the gradual recovery in groundfish stocks and

a lifting of the cloud of uncertainty within the fishery should allow more people to make long-term plans. As a result, the downward spiral in rural housing starts is expected to abate somewhat over the next couple of years. Construction of an estimated 100 new homes associated with the relocation of the community of Davis Inlet in coastal Labrador to the new community of Natuashish will help offset overall losses in rural starts this year and next.

Urban centres of the province, particularly in the St. John's region, will be the major benefactor of the increase in starts activity. Gains in residential construction will come largely from a modest recovery in single-detached starts. Demand for newly constructed single-detached homes will also benefit from a strong resale market as supplies of good quality existing homes are gradually exhausted. Single-detached starts are forecast to advance to 1,150 units in 1999 and to edge up further to around 1,200 units in 2000.

Persistent oversupply in provincial rental markets and a further erosion in demand for two-apartment homes will maintain the downward trend in multiple-unit starts in each of the next two years. More single-parent and empty-nester households and a steady stream of first-time buyers will maintain demand for affordably priced semi-detached homes. Investment in

a large-scale project targeted to seniors will help to moderate the decline in multiple unit starts this year, with an estimated 350 units expected. A decline in apartment units will lower multiple starts to around 300 units by the year 2000.

Resale market maintains strength

Employment gains, modest income growth and abundant supplies of lower-priced existing homes will stimulate the resale market again this year. Improved affordability stemming from low interest rates throughout 1999 will also promote MLS sales. Activity will continue to be bolstered by sales of newly constructed units and converted condominiums. Provincial MLS sales, at 2,275 units, will remain relatively flat this year but still among the best performances on record.

While MLS sales in the St. John's region will match 1998 levels, sales in central Newfoundland are expected to be down slightly from last year's blistering performance. Further expansion in the St. John's economy, particularly in the oil and technology-based industries, should maintain strong demand for home ownership, with MLS sales expected to remain around current levels into the next millennium. Although MLS volumes are forecast to remain brisk, sales of lower-priced housing in areas outside St. John's will continue to moderate price

Key Provincial Indicators

NEWFOUNDLAND	1998	1999(F)	2000(F)
Real GDP (% Change)*	4.0	3.5	1.5
Employment (% Change)	3.2	1.5	0.0
Unemployment Rate (%)	17.9	17.3	17.7
Housing Starts (Units)			
Total	1450	1500	1500
Singles	1086	1150	1200
Multiples	364	350	300
MLS Sales (Units)	2288	2275	2275
Average MLS Price (Dollars)	91514	92000	92500

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

growth. The average price of an existing home will increase 1.0 per cent, at best, in both 1999 and 2000.

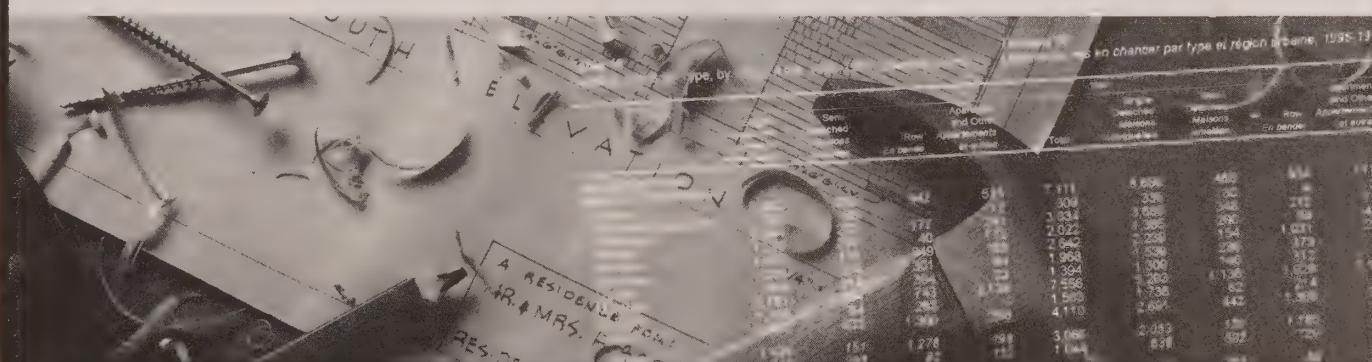
Vacancy rate edges down but remain in double digits

With the St. John's economy forecast to expand at a healthy rate over the next

couple of years, people will continue to move into the region from rural areas. Mobility assistance grants for displaced fishery workers will also support increased migration. As a result, demand for rental accommodation will likely improve, albeit modestly. On the supply side, ongoing conversion of vacant rental

stock to condominiums and fewer two-apartment homes will also help rental market performance. Vacancy rates within the St. John's CMA will continue to improve over the forecast period but will remain in the double digits. As a result, there will be no opportunity for rental rate increases. ■

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CMHC SCHL
Canada

Prince Edward Island

by Ben Champoux



Highlights

- Existing home sales continue to roll.
- Record-breaking tourism season fuels economic growth.
- Increased demand for new homes in rural areas.

First-time buyers continue to drive housing demand

The resale market on Prince Edward Island maintained its record-setting pace throughout 1998. At 1,125 units, total MLS sales were 40 per cent above the record sales level set in 1997. Low mortgage interest rates, combined with high inventories of existing housing at

reduced prices, provided favourable home buying conditions to potential buyers.

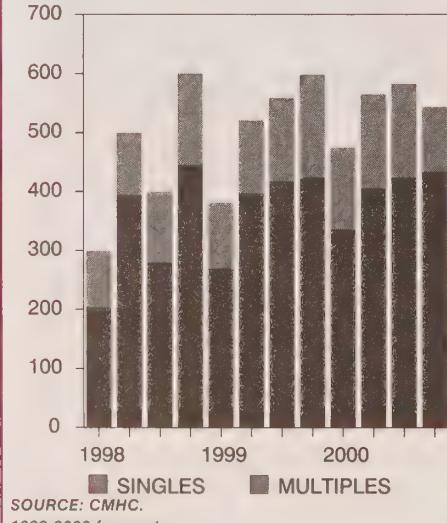
First-time buyers continued to drive the resale market. The average sales price plummeted 8 per cent below the previous year's level. A secondary factor was the Island's greater popularity as a tourist destination, which has resulted in an increased demand for lower priced summer cottages.

The increased pace of existing home sales slowed new construction in urban centres, with single-detached homes down by 20 per cent to 180 starts. On the other hand, a substantial rise in multiple-unit starts in Charlottetown outweighed the drop in urban single-detached starts. Total urban housing starts of 292 units last year were nearly 2 per cent above 1997 levels. P.E.I. was the only province in Atlantic Canada where urban starts increased between 1997 and 1998.

As a result of improved performance from some key industries over the last few years, single-detached starts increased substantially in rural areas last year. If not for a significant jump in both urban multiple housing and rural single-detached starts, the residential construction picture would not have been as good as it turned out to be. Overall, provincial housing starts reached 524 units in 1998, compared with 470 starts for the previous year.

Housing Starts PRINCE EDWARD ISLAND

(units, seasonally adjusted at an annual rate)



1999-2000 Outlook

Record-breaking tourism season fuels economic growth

The weak Canadian currency, combined with lower transportation costs and improved accessibility thanks to the fixed-link, enhanced the province's competitiveness in 1998. Several key industries contributed to the province's solid economic performance, including tourism, farming, fishing, manufacturing, and wholesale and retail trade. As a result, total employment increased by almost 400 people. Growth in employment, plus a reduction in the labour force as a result of increased out-migration, reduced the average unemployment rate from 14.9 per cent in 1997 to 13.9 per cent in 1998.

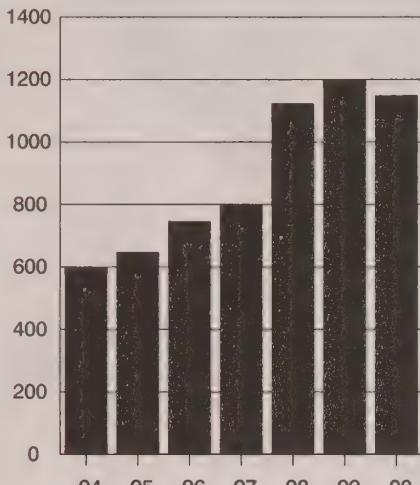
The low value of the Canadian dollar, an aggressive marketing campaign and excellent weather conditions helped bring about another record-breaking tourism season in 1998. Revenue generated by the tourism industry increased by nearly 10 per cent to slightly under \$300 million. This represents an impressive jump over the 1997 season, which itself was exceptional as a result of the opening of the Confederation Bridge.

Tourism is a major economic generator in Prince Edward Island, and last year's performance stimulated the provincial economy by leading to increased activity within the retail sector. Retail sales also benefited from a provincial sales tax exemption on clothing and footwear, and improved significantly on a year-over-year

MLS sales reach historic highs

PRINCE EDWARD ISLAND

(unit sales)



SOURCE: Canadian Real Estate Association.
1999-2000 forecast by CMHC.

basis. P.E.I.'s agricultural sector as well showed improvement last year, with the biggest increase coming from the value of the potato crop. There was more good news from the fishery, as most producers had greater profits in 1998 than in the previous year.

The Island's key industries are expected to do well again over the next two years. Economic growth will stimulate employment, and the unemployment rate will continue to drop over the forecast period. Overall, annual real GDP growth should hover at around 1.7 per cent over the next two years.

resale homes is expected to remain high in 1999. Prospective buyers will continue to benefit from a wide selection and good bargaining power. As a result, the average sales price will remain near the current level. The average MLS sales price will not exceed \$80,000 until the year 2000; first-time buyers will continue to drive the resale market in the medium term, and the demand for lower priced summer cottages will remain strong.

Mortgage interest rates are expected to drift down slightly in 1999 before they begin to rise in 2000. Nevertheless, rates will remain low in historical terms. These conditions will continue to support the strong pace of the resale market at the expense of new construction. Sales of existing homes are expected to remain above the 1,100 mark over the next two years.

Building for the speculative market will be risky again this year and in 2000 as the demand for new homes will be weaker in urban centres of the province. Notwithstanding, this weakness will be offset by an increased number of single-detached starts in rural areas. The strength of the rural economy will stimulate the demand for new homes, and single housing starts will exceed 1998 levels over the next two years despite out-migration and strong competition expected from the resale market. Overall, residential construction will improve slightly in 1999 and 2000. The current

forecast indicates a total of 535 and 550 housing starts respectively.

High apartment vacancies expected as multiple-unit starts remain strong

The provincial increase in housing starts in 1998 resulted from the strength of single-detached starts in rural areas and a substantial increase in multiple unit starts in Charlottetown. Multiple-unit starts in the province's capital jumped to 93 units in 1998 from 44 a year earlier. Demand for rental accommodations remained relatively weak last year, as the resale market continued to attract a significant number of first-time home buyers away from the rental market. Strong competition from an already high supply of rental accommodations increased the vacancy rate in Charlottetown by two percentage points in 1998.

Despite higher vacancies, developers will continue to take advantage of current low borrowing rates and will move forward with several residential projects in 1999. A fair share of the new construction activity will take place in the town of Stratford, where the local economy will continue to be stimulated in 1999 by the new four-lane Hillsborough Bridge. As a result, multiple-unit starts will exceed last year's levels in the Charlottetown area, where the vacancy rate is expected to rise above the 7 per cent mark in 1999. ■

Increased demand for new homes in rural areas

The strength of single-family starts in rural markets improved residential construction activity in 1998. At 207 units, single-detached rural starts were 38 per cent higher than in 1997. For the first time in several years, single-family starts in rural areas exceeded urban starts. A competitive resale market in urban centres and a strong demand for new single-detached houses in rural areas will allow this trend to continue over the forecast period.

Despite a substantial jump in MLS sales, listings of existing homes continued to rise throughout 1998, and the supply of

Key Provincial Indicators

PRINCE EDWARD ISLAND	1998	1999(F)	2000(F)
Real GDP (% Change)*	1.4	1.7	1.7
Employment (% Change)	0.6	1.2	1.1
Unemployment Rate (%)	13.9	13.2	12.9
Housing Starts (Units)			
Total	524	535	550
Singles	387	395	405
Multiples	137	140	145
MLS Sales (Units)	1125	1200	1150
Average MLS Price (Dollars)	79577	79000	81500

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

Nova Scotia

by Todd Selby and Dave McCulloch



Highlights

- Nova Scotia to remain among economic growth leaders in 99.
- Resale market to continue near record pace.
- Multiples drive new construction market gains.

Housing markets turned in a mixed performance in '98

Despite the optimism that opened the year, Nova Scotia's housing markets began 1998 on a weak note, with province-wide declines in resale activity and new house construction. By March, the resale market was 21 per cent lower than 1997 levels, and residential

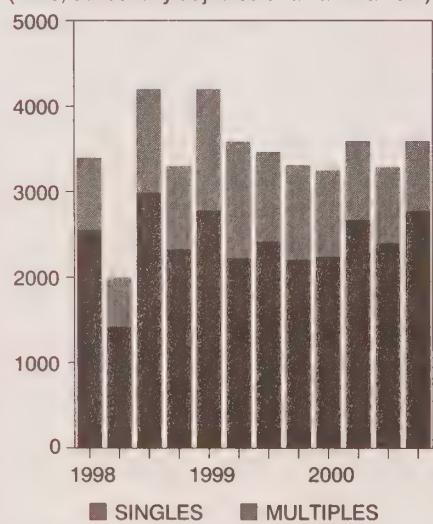
construction was performing even more poorly. However, the resale market was able to recover from these early declines, ending 1998 with the second best sales year on record, while the home building side of the market remained mired in a slump until it briefly recovered in the late summer and early fall. Although the economy fostered employment growth of 3.0 per cent and consumer confidence was strong, new home construction fell by 18 per cent. If the residential construction industry had not turned in a strong second half, Nova Scotia would have suffered a record low for home building.

Two major factors underlay the strength of the resale market in 1998. First, an ample supply of existing homes for sale provided buyers plenty of choice. Speculative building in 1997 left many new homes unoccupied into early 1998. With this large inventory of unoccupied homes, many builders were hesitant to add to the supply of new homes without commitments from buyers. Second, with the much stronger economic growth resulting from the Sable Offshore Energy Project (SOEP), many who have come to work on Sable have opted not to take the additional time required to build a new home, choosing instead to buy an existing home. Also contributing to the slowdown in housing starts was an increase in the cost of new homes, reducing affordability and shrinking the pool of potential buyers.

Housing Starts

NOVA SCOTIA

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

1999-2000 Outlook

Megaprojects to drive growth

The Nova Scotia economy will build on the strong job growth of 1998. Led by year two of both the SOEP and provincial school construction, another 3,000 jobs will be added to the 12,000 created in 1998. With offshore gas expected to come ashore late in 1999, the Sable project will continue to be a key driver of economic growth in Nova Scotia this year. To date, 1,700 Nova Scotians are working directly on the Sable project, and more are expected this spring as work begins on the main pipeline and spinoff employment peaks. Largely as a result of this megaproject, Nova Scotia will be among Canada's economic growth leaders in 1999.

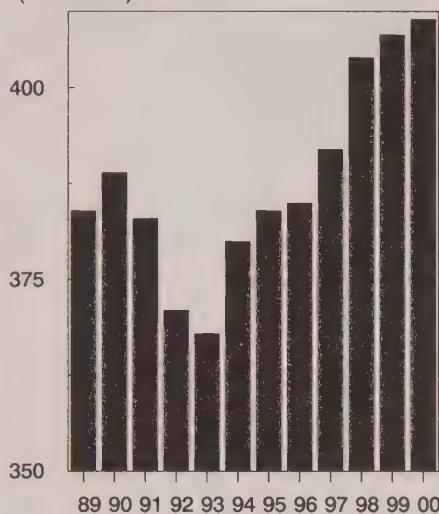
Although SOEP will be the main driver of growth in Nova Scotia, the optimism generated by this project will support more non-residential investment around the province. Leading the way will be school construction, with \$360 million in spending expected over the next two to three years. School sites and partnerships are now generally in place, and construction will begin in earnest this year. Other projects that will add to non-residential investment include continued offshore resource exploration, hospital construction in Cape Breton, Amherst and Yarmouth, and highway construction in Cape Breton and Halifax.

The economic unknown for Nova Scotia in 1999 is the pending announcement by container shipping

Employment continues to grow

NOVA SCOTIA

(thousands)



SOURCE: Statistics Canada.
1999-2000 forecast by CMHC.

companies Maersk and Sea-Land concerning the location of their post-Panamax container terminals. Halifax is on the companies' short list, along with New York and Baltimore. If successful, the Halifax Port will require an estimated \$550 million investment in infrastructure upgrades for berthing and unloading requirements. The port improvements alone would be expected to create 1,700 short-term construction jobs, while the post-Panamax status port would create 2,000 higher-paying, long-term jobs in Halifax. An announcement is expected in February, and shipping sources suggest that Halifax is well positioned to be awarded all or a portion of this contract.

Multiple-family construction to lead housing starts

Continued economic growth, job creation and consumer confidence suggest that new construction will improve by 13 per cent in 1999 over the weak performance of last year. As many as 3,550 new housing starts are expected in Nova Scotia this year, with multiple-unit construction to constitute more than one third of this activity. Three factors are responsible for the expected increase in multiple-family unit supply: positive net migration to the province as a result of the strong

economy, increasing demand from older households for apartments and condominiums, and declining rental vacancy rates in urban centres across the province. The increase in demand and the dwindling supply have led to an undersupply in some Metro Halifax submarkets, where much of the multiple-unit construction is expected to take place in 1999 and 2000.

Expect to see a 4 per cent improvement in single-family home construction in 1999, to 2,350 units, and another 9 per cent increase in 2000, to 2,550. Move-up buyers will be the driving force in the singles market this year, especially in Halifax, where the new house price index is anticipated to grow by 1.5 per cent this year and another 2.0 per cent in 2000.

Resale market poised for another strong year

After posting a near-record year of 8,052 sales in 1998, the Nova Scotia resale market is expected to surpass last year's excellent performance, with 8,200 sales in 1999. Once again this year, employment and migration patterns will drive much of the resale activity, as people come to the province in search of work directly and indirectly related to the SOEP. With demand for existing homes on the rise and listings falling, it follows that prices will be on the rise, with the average sale price forecast to grow by 3 per cent in 1999. This will continue through 2000, when the

average sale price for an existing home in Nova Scotia will pass the \$100,000 mark.

The buying patterns of move-up buyers are expected to stimulate resales again this year. As these households acquire new homes, there will be more choice for first-time home buyers, who will return to the ownership market in greater numbers as the year progresses.

The recovery that occurred in Metro Halifax in the latter part of 1998 is expected to continue through 1999, with 5,300 transactions. Northern Nova Scotia is also expected to have a very good year, as it did in 1998, while other areas are expected to hold their own against 1998 results.

Rental vacancies to decline again in '99

Vacancy rates declined in all major centres in the province in 1998 and reached a seven-year low of 5.5 per cent in the Halifax CMA. Although it is anticipated to be a very busy year for apartment building construction around the province, supply increases will be absorbed as rental demand continues to rise. Net positive migration of job seekers, the growth of non-family households, and an ageing population of seniors and empty nesters seeking relief from the responsibility of home maintenance will all contribute to another year of declining vacancies in rental markets across the province. ■

Key Provincial Indicators

NOVA SCOTIA	1998	1999(F)	2000(F)
Real GDP (% Change)*	3.4	2.3	1.9
Employment (% Change)	3.0	0.7	0.5
Unemployment Rate (%)	10.7	10.6	10.3
Housing Starts (Units)			
Total	3137	3550	3450
Singles	2257	2350	2550
Multiples	880	1200	900
MLS Sales (Units)	8052	8200	7800
Average MLS Price (Dollars)	97015	99750	102000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

New Brunswick

by Laurie Gosselin



Highlights

- More jobs in 1999.
- Rural starts will improve in 2000.
- Rental demand will improve.

Job growth boosts construction activity in urban centres

Single-family construction in New Brunswick's urban centres finished 1998 on a very positive note, rising close to 30 per cent in the final three months of the year. Stronger job growth in the larger urban centres in the southern part of the province supported the improvement. Single starts for the year were up by

11 per cent from the 1089 units recorded in 1997.

The level of construction fell in rural New Brunswick, as single-family production dropped for the fourth consecutive quarter. Overall, rural new home construction fell 25 per cent short of 1997 levels. Residential construction was stifled by weak commodity prices that plagued northern New Brunswick's forestry and mining industries. In the latter half of 1998, single-family construction declined 32 per cent after dropping 13 per cent during the first half of the year. At the close of 1998, there were 431 fewer homes built in rural New Brunswick than in urban centres, the largest such gap since 1990, when rural starts were 527 units below urban levels. During 1997, the difference was only 53 units. The recovery in the forestry and mining sectors over the outlook period will be key in boosting consumer confidence and residential construction in rural New Brunswick.

Multiple-unit construction in the province closed the year at 458 units, the lowest level of activity since 1984. High rental vacancy rates in many of New Brunswick's urban centres kept new apartment development to a minimum. In 1998, there were 227 apartment unit starts, the lowest level of construction recorded in the 1990s. Total starts in urban centres slipped less than one per cent from last year's total, while rural activity plummeted 23 per cent to the lowest level in over a decade.

New Brunswick's resale markets recorded mixed results throughout the year. At the end of 1998, existing home

sales in the province had dropped off by just over one per cent from the year before. The Saint John and Moncton markets were the most active, posting the largest gains in sales activity, while Fredericton sales fell short of the record level set in 1997. In northern New Brunswick, sales were also up despite the economic downturn.

Prices in the existing home market, soft in the first half of 1998, rallied in the closing months of the year. Rising house prices in the final quarter in Saint John and Moncton offset weaker prices in other market areas. By year end, however, the average selling price of homes in the province was down by just over one per cent from the \$87,211 recorded in 1997.

1999-2000 Outlook

Non residential construction to drive economic growth

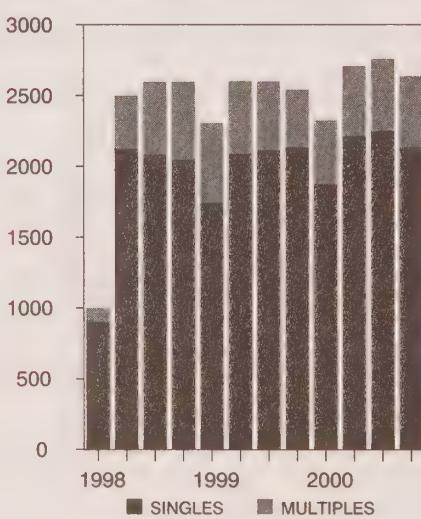
The New Brunswick economy is expected to improve in 1999 and remain healthy through 2000. Provincial Gross Domestic Product is expected to grow modestly over the next two years, by about 2.0 per cent. There was a release of pent-up demand among consumers in 1998, and New Brunswick led the country in retail sales activity. New Brunswickers will continue to spend confidently through 1999 as another 5,000 jobs are created and real wages begin to trend upward.

In 1999, there will be considerable improvement over last year, spurred by activity in the nonresidential construction industry. Key projects will include the Sable Gas pipeline, the four-lane

Housing Starts

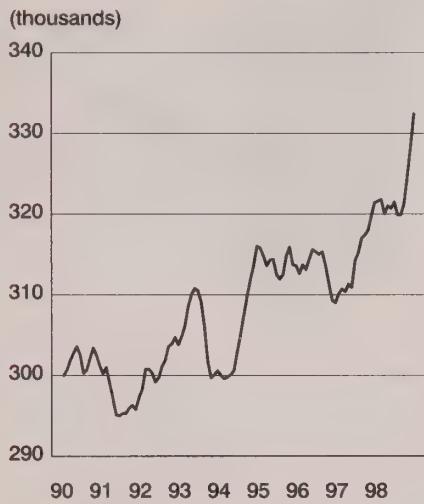
NEW BRUNSWICK

(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

Employment continues to grow NEW BRUNSWICK



SOURCE: Statistics Canada.

Moncton-Fredericton highway, and the Irving Oil refinery improvements in Saint John. Sable Gas pipeline work is scheduled between the spring and November of this year. Highway construction that is already under way will continue into 2001. All this activity will result in employment gains of 1.6 per cent in 1999, but the rate will slow to 1.1 per cent in 2000 as the projects begin to wind down. The unemployment rate is expected to fall from 12.1 per cent last year to 11.7 per cent in 1999. The rate will be down to 11.3 per cent in 2000.

The strength of the nonresidential construction sector, in combination with continued growth in the personal and business services industries and telecommunications, will more than offset lingering weakness in natural resources and manufacturing. Weak commodity markets plagued the mining and forestry industries in the province in 1998. Although commodity prices are not expected to improve significantly in 1999, forestry and pulp and paper markets will stabilize. The mining industry, however, will struggle into 2000. On the bright side, the tourism industry is poised to have another exceptional year in 1999, and the economic spinoffs from construction megaprojects in the southern part of the province will continue to work their way through the economy well into 2000.

Housing markets poised to improve in 1999 and 2000

Improved consumer confidence, low mortgage rates and a growing job market will support the production of 2,100 single-detached units in 1999. In 2000, continued economic growth and job creation will sustain consumer confidence and boost single starts by another 100 units to 2,200. Much of the improvement this year will be generated in urban areas, particularly Saint John. Strong employment growth in the city and falling inventories of existing homes on the market will support improved new home sales over the next two years.

Residential construction in rural areas is expected to make a stronger recovery in 2000 after making modest gains in 1999. Higher unemployment in the northern part of the province resulting from the weak forestry and mining sectors will continue to limit housing demand during 1999. Rural areas close to thriving urban centres will help keep construction levels from falling below 1998 levels.

Multiple construction activity will achieve modest gains over the outlook period. The three major urban centres (Saint John, Moncton and Fredericton) will build more multiples in 1999 before scaling back in 2000, but a rebound in rural markets will increase overall activity next year.

Overall, housing starts are forecast to rise to 2,575 units this year and to 2,700

units next year. With a strong economy and continued employment growth, the Saint John new home market will boast the biggest gains. In the existing home market, provincial sales are expected to reach 3,900 in 1999 and 3,800 in 2000. Large inventories of homes in most markets will keep a lid on price growth over the outlook period. The average price of homes sold through the local real estate boards will reach \$87,250 this year and \$88,000 in 2000.

Provincial apartment vacancy eases

The 1998 apartment vacancy survey revealed that the provincial vacancy rate is trending downward. In 1998, it dropped to 6.1 per cent from 6.6 per cent the previous year. Increased demand for two-bedroom apartments in urban centres pushed the vacancy rate for this unit type to 5.5 per cent from 6.8 per cent in 1997. Apartment vacancy rates were lower in four of the seven urban centres, higher in two and unchanged in one. With vacancy rates between 3.0 and 4.0 per cent, Fredericton and Miramichi are not oversupplied. The average rent for apartments in all urban centres increased by less than one per cent. ■

Key Provincial Indicators

NEW BRUNSWICK	1998	1999(F)	2000(F)
Real GDP (% Change)*	1.9	2.0	1.8
Employment (% Change)	2.6	1.6	1.1
Unemployment Rate (%)	12.1	11.7	11.3
Housing Starts (Units)			
Total	2447	2575	2700
Singles	1989	2100	2200
Multiples	458	475	500
MLS Sales (Units)			
	3908	3900	3800
Average MLS Price (Dollars)	85948	87250	88000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

Quebec

by Bruno Duhamel



Highlights

- Residential construction will cool in 1999.
- MLS sales will stabilize at a high level.
- Employment growth will slow down in 1999.

Good fourth quarter housing performance in 1998

After a difficult start, the Quebec housing market had some good moments in 1998. In the fourth quarter, total starts in urban centres reached 4,397 units, 3.2 per cent

higher than in the corresponding quarter of 1997.

The increase was mainly attributable to single-detached starts. The 10.3 per cent improvement in this market suggests that move-up buyers have returned. Multiple housing starts, including semi-detached, row, rental and condominium units, declined by 2.7 per cent in the fourth quarter of 1998, the third consecutive quarterly decrease.

Buoyed by a number of factors, the resale market continued to break records. Sales through the Multiple Listing Service (MLS) reached 9,569 units, representing a major hike of 9.9 per cent over the level attained in the fourth quarter of 1997.

The economic context, in particular an increase in the number of full-time jobs and very low mortgage rates, favoured home buyers. A low net migration level, however, limited the potential for growth in Quebec's housing markets.

1999-2000 Outlook

The economy will slow in 1999 but pick up in 2000. A rise in private investment, along with the end of staff cuts in the public service, will enable Quebec to post a rate of growth similar to that in Canada as a whole. Quebec's gross domestic product will advance by 1.8 per cent in 1999 and 2.3 per cent in the following year.

Because Quebec has close ties to the U.S. economy and is relatively less exposed to a drop in Asian or Latin-American demand than are most

provinces, it is managing quite well. The Quebec economy has also benefited from its increasing focus on high-technology sectors, at the expense of the natural resources sector.

Quebec will soon join the other provinces in stabilizing its public finances. As a result, public spending and staff cuts will no longer curb economic and employment growth this year. In fact, employment growth in Quebec has remained below the national average mainly because public sector staff cuts there continued in 1998, after downsizing ended elsewhere in the country.

The fourth quarter saw continued strength in the labour market. The 2.6 per cent growth in GDP in 1998 will have led to the creation of around 67,000 jobs. The unemployment rate improved from 10.8 per cent in the first quarter to 9.9 per cent in the fourth quarter. Economic growth will further drive down the unemployment rate to an average of 10 per cent in 1999 and 9.6 per cent in 2000.

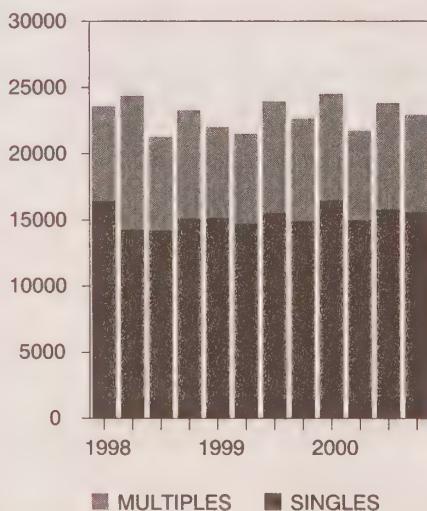
Residential construction to pick up slightly in 2000

In 1999, as a result of an anticipated decline in economic growth in the province, the residential real estate sector in Quebec will be slightly weaker than in 1998. While performance will be generally positive, slower employment growth this year could undermine consumer confidence.

Over the next two years, single-detached home building will be a little more active. The construction

Housing Starts QUEBEC

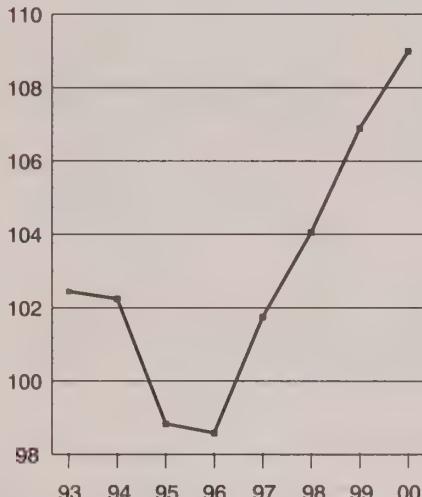
(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

Average MLS price on the rise QUEBEC

(thousands of dollars)



SOURCE: Canadian Real Estate Association.
1999-2000 forecast by CMHC.

of units of this type will rise to around 15,000 units in 1999 and then to 16,500 in 2000. Total starts are expected to reach 22,500 units in 1999 and 24,000 units the following year. Most of this construction will take place in the outskirts of Quebec's large centres, where land is most available.

After an excellent year in 1998, MLS sales will decline and stabilize at about 43,200 transactions in 1999. Despite the expected decreases, the level of sales will remain higher than in most years since 1980. One encouraging sign is that move-up buyers will be even more active than last year.

A better balance between demand and the number of houses for sale, along with a greater proportion of transactions in the upper price ranges, will bring about a 2.7 per cent increase in the average sales price this year. As a result, the average MLS price is forecast to go up to \$107,000 in 1999 and then to \$109,000 in 2000.

Multiple housing market to decline

Because the number of first-time buyers is declining, there will be fewer semi-detached and row housing starts in 1999 and 2000. At 2,100 units this year

What is happening in midsized urban centres?

A number of midsized urban centres in Quebec are posting more housing starts per population than larger centres. In fact, a significant portion of the new home market seems to be shifting to midsized centres, to the detriment of rural areas and large urban centres. In 1997, 24 per cent of new units started in Quebec were in midsized urban centres, compared with 13 per cent in 1990.

The table below is based on an article in the August 1998 issue of CMHC's Housing Facts, which deals with centres that have never received much analytical or media coverage.

The vitality of the construction sector in midsized urban centres is indisputable. An average of 3.6 new homes are built in Quebec as a whole per 1,000 inhabitants, compared to 8.2 new homes in Saint-Georges-de-Beauce, 7.8 in Drummondville, 6.2 in Joliette and 6.0 in Magog. Meanwhile, in Montréal, which is home to half of Quebec's population, only 3.2 new housing units are built per 1,000 inhabitants. However, while this performance indicator establishes a relationship between the number of starts and the population, it does not reflect the full extent of residential growth in midsized centres.

Everywhere except in Montréal, single-detached home building is increasing faster than multiple housing construction. Single-detached houses, which represented only half of all starts 10 years ago, now account for two thirds of new construction. The progression of housing starts in

small urban centres accounts for a good portion of this phenomenon.

The Montréal metropolitan area will remain important. It will generate 10,000 starts in 1999, a considerable number, as 11,000 households are formed every year.

Two very different factors can help explain the vitality in midsized urban centres. First, the expansion of suburbs and the technological innovations that allow for home-based employment have made irrelevant the distance between homes and work places. This is illustrated by the growth of Joliette, in the outskirts of Montréal, and Magog, near Sherbrooke.

As well, residential construction tends to increase in midsized towns that have a strong industrial and manufacturing base. This is certainly the case in Drummondville and Saint-Georges-de-Beauce, where small and medium-sized businesses are driving the local economy by generating jobs.

The distribution of housing types bears out these observations. In Drummondville, for example, standard-size semi- and single-detached houses are being built, just as in the large centres. This suggests that jobs, and not necessarily more space, have been motivating people to move there. Houses in Saint-Georges-de-Beauce are often larger than elsewhere, and single-detached homes are favoured by first-time buyers, while the demand is very weak for other housing types.

Centres

Saint-Georges
Drummondville
Joliette
Magog
Rivière-du-Loup
Québec metropolitan area
Montréal metropolitan area
Province of Quebec

Starts per 1,000 inhabitants

8.2
7.8
6.2
6.0
5.9
3.3
3.2
3.6

and next, the volume of rental housing starts will also be smaller.

The condominium market will gain 3,300 units this year and will stabilize at the same level in 2000. With a reduction in the number of units available on the market and the growing demand generated by the return of young people to the central districts of the large urban centres, this market will remain strong. ■

Key Provincial Indicators

QUEBEC	1998	1999(F)	2000(F)
Real GDP (% Change)*	2.6	1.8	2.3
Employment (% Change)	2.1	1.4	1.6
Unemployment Rate (%)	10.4	10.0	9.6
Housing Starts (Units)			
Total	23138	22500	24000
Singles	14685	15000	16500
Multiples	8453	7500	7500
MLS Sales (Units)	45240	43177	42313
Average MLS Price (Dollars)	104055	106896	109000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

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Ontario

by Alex Medow



Highlights

- Economy is growing.
- Job seekers attracted from other parts of Canada and abroad.
- Home prices and housing starts will ratchet up.

Housing starts jumped higher late in 1998.

Ontario's home starts jumped by 17.4 per cent in the fourth quarter of 1998, as residential construction in Toronto and surrounding areas got back on track after construction trade disruptions led to a midyear dip. During the fourth quarter, the

number of home starts in the province moved up to 56,800 from 48,400, at a seasonally adjusted annual rate. Both single-detached and multiple home construction were up.

From a longer term point of view, Ontario home starts, on an upward trend since hitting a 44-year low in 1995, are only starting to approach demographic expectations. Construction activity in 1998 was held back by exceptional and adverse factors, including an ice storm as the year began and labour strikes in key economic sectors, such as construction and the automotive industry. Last year's total of 53,830 housing starts came in negligibly lower than the 1997 total of 54,072.

Existing home markets ultimately set the stage for new construction, and resale markets have been active. Resales have been high since 1996, and Ontario's average resale home price has ratcheted up. Market classification indicators, such as sales-to-new listings ratios, suggest that home prices will continue to grow. A combination of affordable home prices and low mortgage rates have made it easy for first-time home buyers to acquire homes. The resumption of growth in home prices, albeit modest, has shored up confidence among move-up buyers and motivated them as well.

Housing market conditions vary across Ontario's centres. Faster population growth and stronger job growth tend to result in stronger home price growth and more residential construction. Trends in local sales-to-new-listings ratios at the end of 1998 indicated that resale market

conditions were tightest in Toronto and adjacent centres, including Hamilton and Kitchener, and in Ottawa.

Vacancy rates either moved lower or remained unchanged in 1998 in most of Ontario's ten Census Metropolitan Areas. With a vacancy rate of 0.8, Toronto has the tightest metropolitan rental market in Ontario. The highest vacancy rates are in the north. Slow labour markets in Sudbury and Thunder Bay have caused vacancy rates to move upward there.

1999-2000 Outlook

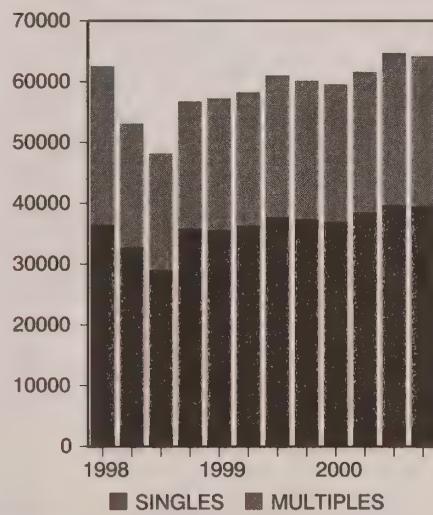
Economy to expand further

Strong economic performance points to growth in housing demand. Ontario's severe economic downturn of the early nineties has been replaced by a period of solid economic expansion at the end of the decade. Job growth in Ontario is expected to remain in a very respectable range despite lower global resource prices, slowing economic indicators at the national level and lower global economic growth. Annual increases in employment in the next few years will range from just under 3.0 percent to just under 4.0 per cent.

Several factors underlie our belief that Ontario's economy will do well and outperform the rest of Canada. First, because Ontario is Canada's least resource-dependent region, the global downturn in resource prices will not affect Ontario as much as the other provinces. Second, central Canada's economy is very strongly tied to conditions in the United

Housing Starts ONTARIO

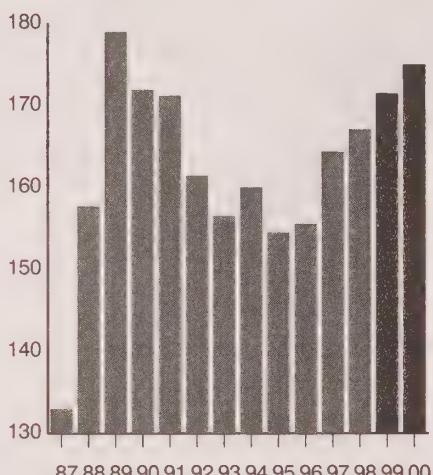
(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

Resale home prices will ratchet up

(Thousand of dollars)



Source: Canadian Real Estate Association.
1999-2000 forecast by CMHC.

States, and U.S. labour markets are tight. U.S. demand for Canadian exports is further boosted by a low Canadian dollar. Third, many leading indicators of provincial economic activity, such as retail sales and the Help Wanted index, remain positive.

Demographics favourable for housing demand

The province's population is growing a bit slower than during the boom of the late 1980s, but there are still demographic pressures on housing demand. Ontario's population has grown by over a million people since the beginning of the decade, and economic conditions were slow until a couple of years ago. Significant untapped labour resources remain, and labour markets have begun to tighten. Demand for housing will grow as more people find work.

Migration has accounted for most of the population growth since the mid 1980s and is still affecting demand for ownership today. Migrants tend to rent accommodations first and to purchase homes when they become established. As this sometimes takes several years, they generate a lagged demand for ownership housing. Net migration to the province will remain moderately strong over the

next few years. More job seekers will come from other parts of Canada, and somewhat fewer, but still reasonably high numbers, from outside Canada.

What about the baby-boomers? How old are they and what type of housing behaviour can we expect from them? Live births in Ontario peaked in 1960, which means that in the year 2000 the typical Ontario baby-boomer will be 40—an age associated with high income. Consumer preference surveys show that people this age typically own, rather than rent. The majority have a mortgage, and most are satisfied with their home. Those who plan to move tend to want larger houses and to be less tolerant of smaller homes and paying more than planned. Expense is something of a consideration when they must choose between a new home and a resale home, but many will go with a new home to get modern features or to avoid repairs. About a third of potential buyers of this age are willing to rent out a part of their home.

Resale and new home markets on the way up

Resale and new home markets will both improve in the next couple of years. Affordable mortgage carrying costs and strong job growth will ensure housing demand. However, the prolonged period of slow or non-existent real income growth and high consumer debt levels

experienced in the nineties will keep home prices from rising too rapidly.

The average resale home price will slightly outpace the general rate of inflation. Some of the increase will be the result of a slight shift to more expensive move-up home purchases. Resale numbers will stay close to last year's levels. Growth in resale numbers will be constrained by a diminishing supply of existing homes, especially in the lower price ranges.

As the resale market tightens, home buyers will turn increasingly to new homes, and since there are only moderate inventories of newly completed and unsold homes, demand will lead to new construction. With an increase in both single and multiple starts, housing starts for this year will move up over 10 per cent to 59,500 and to 63,000 in the year 2000. Most of the multiple construction will be ownership homes: town homes and condominiums.

All new home price indexes moved up in 1998, except the Sudbury-Thunder Bay index, and all will post gains in the next two years.

Private rental construction, at a virtual standstill recently, will edge up in the next couple of years. However, rental units account for only a small fraction of multiple home construction. A growing younger population finding jobs will shift demand forces in favour of more rental construction in the next decade, but this

Key Provincial Indicators

ONTARIO	1998	1999(F)	2000(F)
Real GDP (% Change)*	4.2	3.1	3.5
Employment (% Change)	3.7	2.9	3.0
Unemployment Rate (%)	7.2	6.7	6.4
Housing Starts (Units)			
Total	53830	59500	63000
Singles	32737	37000	39000
Multiples	21093	22500	24000
MLS Sales (Units)	138464	140000	140500
Average MLS Price (Dollars)	167114	171500	175000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

process will take more than a couple of years.

CMHC's October 1998 Rental Market Survey showed that Ontario's average vacancy rate moved down from moderately high historical levels; this uninterrupted downward trend will continue in most of the province's large metropolitan areas.

Rental markets in Toronto and Ottawa will be exceptions. While strong job creation and in-migration will keep pressure on rental markets in these centres, rent increases are more likely to result than vacancy rate declines. Ontario's 1999 rent control guideline allows landlords to increase the rent of existing tenants by up to three per cent,

the same as in 1998. However, Toronto's average rent increase is expected to exceed three per cent this year, as it did in 1998. This is because a new law phased in last year effectively lifts rent controls once a tenant moves out. The rental unit is covered by the rent increase guideline again after a new tenant moves in. ■

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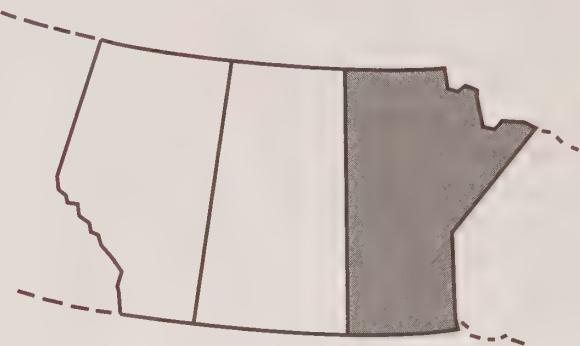
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CMHC SCHL
Canada

Manitoba

by Brian Hollohan



Highlights:

- After weakening in 1998, Manitoba's economic growth will slow further in 1999.
- Low and stable interest rates and lower out-migration will support housing markets.

Construction sags in final months of 1998

Housing construction slumped in the fourth quarter of 1998, with seasonally adjusted activity dropping 44 per cent from the previous quarter and 16 per cent

below the level of the final quarter of 1997. Even with this fourth-quarter performance, total housing starts in Manitoba rose to 2,895 units in 1998 from 2,612 in 1997. Manitoba housing markets have had a very good three-year run, with cumulative growth of 47 per cent. The economic outlook points to a temporary setback for housing markets in 1999, with starts resuming their upturn at a moderate pace in 2000.

1999-2000 Outlook

Economy will weaken in 1999

Following a sharp slowdown in 1998, economic growth in Manitoba is projected to remain sluggish in 1999 and 2000. Economic growth is forecast to slow from 2.8 per cent in 1998 to roughly two per cent annually over the next two years. There are tough times ahead for key sectors in the province. Continued weakness in Asia and its cascading impact on world growth eliminate any prospect of a significant turnaround in the natural resource sector. Output in the manufacturing industry, with its heavy export orientation, will weaken as a result of slower U.S. growth. Lower earnings and profits will result in a cutback in investment plans, hurting the construction industry. Meanwhile, softer production and weak consumer confidence will dampen personal spending, undermining service sector activity.

There is evidence that this growth slowdown is well under way. Over 3,600

jobs were lost in the primary sector in 1998, with the prolonged price slump in metal and agriculture products a deterrent to any near-term improvement.

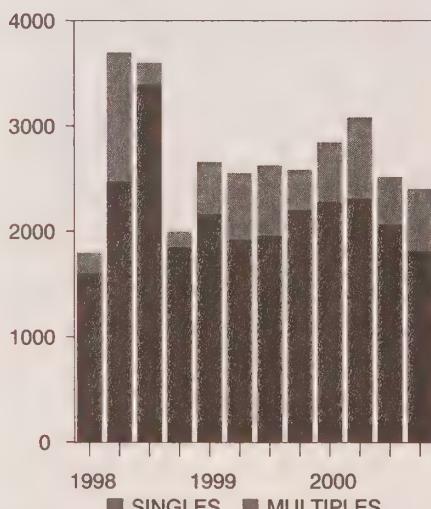
Manufacturing and construction activity have been the backbone of growth in the province recently, accounting for over one half of all jobs created in the past two years. However, manufacturing shipments have been weakening for some time, with the pace of growth roughly one third slower at the end of 1998 than at the beginning of the year. With the vast majority of these products slated for the U.S. market, the slowdown in growth south of the border foreshadows further weakness for this industry.

The construction industry has benefited from a strong housing market. Weaker residential activity and the lack of any major non-residential projects beyond the March completion of the Maple Leaf plant in Brandon suggest that this industry will not contribute as much to growth as in the past two years. The service sector created only a third as many jobs in 1998 as in the previous year, with most of these in the relatively low-paying community sector. Slower activity elsewhere in the economy will soften job prospects in the service sector as well.

Suffering from international uncertainty, consumer confidence has declined for five consecutive quarters in the Prairie region. As the Index continued a 23-point skid to near-recessionary levels, retail sales growth in Manitoba weakened through the closing months of 1998. With the U.S. economy expected to grow at roughly one half of last year's

Housing Starts MANITOBA

(units, seasonally adjusted at an annual rate)

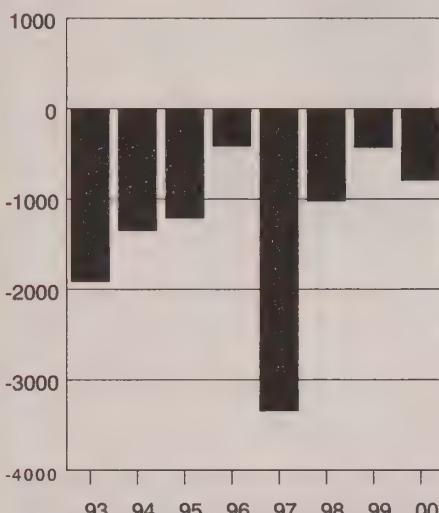


SOURCE: CMHC.
1999-2000 forecast.

Net out-migration to ease

MANITOBA

(people)



SOURCE: Statistic Canada.

1998 estimate by CMHC, 1999-2000 forecast by CMHC.

pace and no significant improvement expected in Asia, the prospects for the Manitoba economy over the next two years are modest. While no recession is foreseen in Manitoba, growth will dip to 2.0 per cent in 1999 before rising to 2.2 per cent in 2000, as a moderate upturn in the world economy begins to lift exports. While economic growth will take a hit, there may be a partial offset for housing markets if, as expected, fewer people leave the province. Total net outflows from the province in 1999 will be less than half of last year's level. In total, out-migration peaked at over 3,000 people in 1997. This outflow dropped to just over 1,000 last year, with a further reduction to roughly 400 people called for this year. The falloff in out-migration reflects the expected easing in the performance of the economies and labour markets in other provinces.

Residential construction headed for a downturn in 1999

The weaker economy and low consumer confidence are expected to take their toll on housing markets. The resale market has already slumped, with new listings and sales both dropping almost four per cent

in 1998. The sluggish resale market will be a stumbling block for people who wish to sell and move to a larger new home. It may also stall the demand for luxury condominiums by seniors, who have been driving most of the demand for life-lease units. Total starts in 1999 are projected to drop by 10.7 per cent, to 2,585 units. While this will end three years of growth, the expected level of starts is just slightly below both the 1997 level and the five-year average for this market—not a bad year, on the whole. After the pause this year, housing starts are projected to rise by 5.0 per cent in 2000, to 2,720 units.

The last time housing starts in Manitoba approached 3,000 units was in 1994. The upturn at that time was immediately followed by a severe 39 per cent plunge in 1995, when central banks doubled interest rates to cool spending in an overheating North American economy. Prospects are much different today. The North American economy is slowing, squeezed by a sharp retrenchment in world growth.

A drop in vacancy rates gave the housing market a lift over the past year. However, pressure will remain on the market as long as top-end rental buildings continue to be converted to condominiums. These conditions will make it easier to raise rents, increasing the attractiveness of the new-housing market. Apartment construction is expected to

improve slightly beyond last year's modest buildup. However, with the weaker resale market cutting into the equity value of senior demand for luxury condominiums, overall multi-unit activity is expected to rise a modest 6.3 per cent this year to 560 units, and to increase a further 11 per cent in 2000 to 620 units. Single-family starts are expected to drop to 2,025 units in a low-confidence environment in 1999 before increasing 3.7 per cent to 2,100 units next year on the basis of an improvement in both economic growth and consumer confidence. ■

Key Provincial Indicators

MANITOBA	1998	1999(F)	2000(F)
Real GDP (% Change)*	2.8	2.0	2.2
Employment (% Change)	1.5	2.0	1.4
Unemployment Rate (%)	5.7	6.0	5.9
Housing Starts (Units)			
Total	2895	2585	2720
Singles	2368	2025	2100
Multiples	527	560	620
MLS Sales (Units)	10762	10700	10900
Average MLS Price (Dollars)	86334	86200	87000

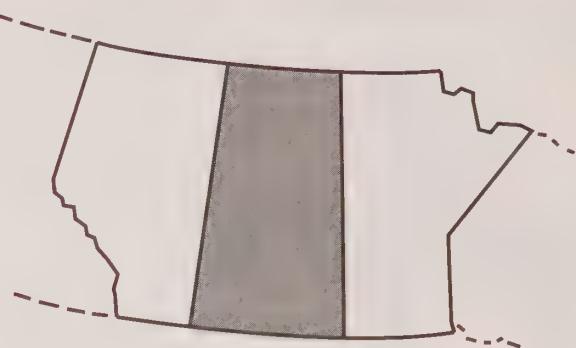
SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

Saskatchewan

by Paul W. Caton



Highlights

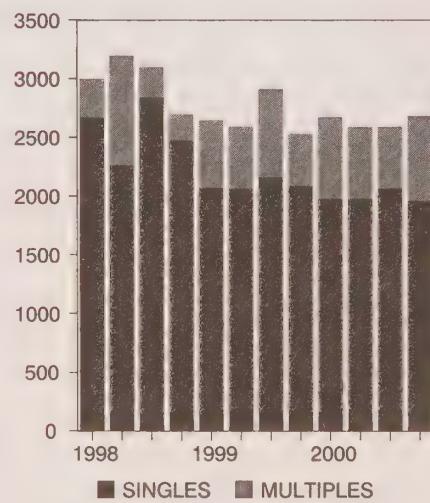
- Economy slows, but optimism remains as in-migration hits 14-year high.
- Housing demand will be relatively unchanged in 1999 and 2000.
- Seller's markets persist in Saskatchewan resale markets.
- First-time buyers of new homes emerge as important market.

Housing demand firm in fourth quarter

Despite signs of an economic slowdown, overall housing demand remained buoyant

Housing Starts SASKATCHEWAN

(units, seasonally adjusted at an annual rate)



SOURCE: Bank of Canada.
1999-2000 forecast by CMHC.

in the final quarter of 1998. The October 1998 Rental Market Survey showed low vacancies and rising rents in most Saskatchewan cities. Only Estevan, North Battleford and Moose Jaw had average vacancy rates above the three per cent level considered to indicate a balanced market. Average rents increased in all cities except Yorkton, where there was a slight decline of only two per cent. Consistently low vacancy rates in some centres and limited prospects for new rental construction have raised concerns about the lack of affordable housing in Saskatchewan cities.

Stimulated by steady demand from first-time buyers, seller's markets remain for resale homes in Saskatchewan. Many buyers are renters faced with rising rents and limited choice in the rental market. There are, however, some early signs of cooling in the resale market. Real estate boards report that the inventory of higher-priced homes is building and that average listing periods are creeping up to 30 days.

Saskatchewan home builders enjoyed their best year for housing starts in a decade. An increase of more than 10 per cent in single-family home building more than compensated for the slowing in multiple condominium construction and drove starts to new heights. In 1998, builders used two techniques to draw first-time home buyers into the new home market. Developing less expensive land in the rural municipalities surrounding urban centres and designing narrow-lot, single-family homes each make the prices

of new homes more competitive with those of existing homes.

1999-2000 Outlook

Economic growth slows but remains positive in 1999

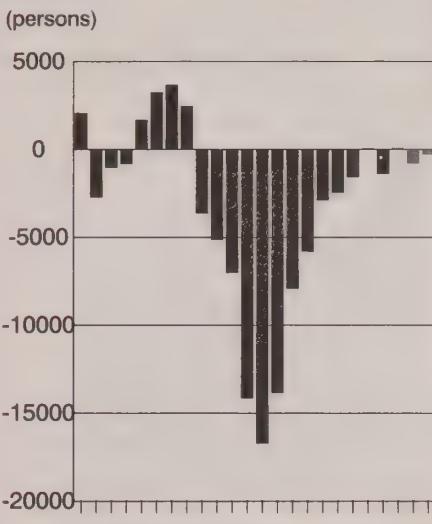
Although positive job growth continues, the bloom is clearly off the economy. In fact, excluding the first quarter, job growth was only about 0.1 per cent in 1998.

Two key industries driving Saskatchewan's economy, manufacturing and oil and gas, weakened considerably in 1998. Layoffs and closures occurred at some agricultural implement plants last year, and oil and gas drilling was more than 55 per cent off the pace of 1997. Prices of agricultural products, including grains, oil seeds and livestock, have tumbled. Agriculture Canada is forecasting a seven per cent decline in Saskatchewan farm cash receipts in 1999.

Notwithstanding these gloomy factors, there is some cause for optimism in 1999. Net migration in the third quarter of 1998 reached its highest level in 14 years. Many in-migrants are construction workers seeking employment in the major construction projects under way or planned for 1999. Potash and uranium mines are expanding and pipeline construction should also proceed this year. Though oil prices are low, the Lloydminster oil upgrader is being expanded and a large-scale co-generation project is also under construction in that city. New plants, additions and expansions

Net migration highest in years

SASKATCHEWAN



SOURCE: Statistics Canada.

1998 estimate by CMHC, 1999-2000 forecast by CMHC.

accommodation, even homes to buy, an increasing number of rental households should replace those renters lost. We do not expect rent increases to encourage new rental construction. Developers advise that condominium development promises more immediate return on investment and lower risk than new rental construction does.

Seller's markets will persist for existing homes in Saskatchewan. As increasing rents and low mortgage rates prompt more renters to consider home ownership as an option, there will be additional pressure on resale markets already suffering a scarcity of modest homes suitable for first-time purchase. Although there is an increased supply of listings in some of the larger markets, many of these are less desirable because of their location, condition or price. Even with steadily increasing prices, owners are reluctant to list their homes.

Saskatchewan's ageing home owners are less inclined to move than when they were motivated by the demands of growing families and lifestyle changes. As a result, sales will continue to be restricted by the supply of homes available for sale.

Saskatchewan home builders will find a new source of demand in 1999 and 2000, as first-time buyers, faced with a limited supply of suitably priced existing housing, turn to the new housing market. To capture a larger share of these buyers, builders will continue to develop

lower-priced lots in rural subdivisions close to major centres, utilize narrow lot designs and build higher density projects.

The new condominium market will continue to grow in Saskatchewan as more baby-boomers age and become empty-nesters. Some of this group are attracted by the condominium lifestyle. Most of these new units are relatively high in price and have luxury features. However, a new market is emerging for lower-priced row housing condominiums, which appeal to single parents and working couples with moderate incomes.

■

are planned or already started in the agri-food sector, pulp and lumber milling, and road construction and repair.

Improvements are also being made to health care facilities. Provincial building permits were more than 13 per cent higher last year than in 1997. The biggest gains were in the industrial and commercial sectors, although the residential sector is also showing increased activity.

Housing markets buoyant in the face of economic slowdown

In 1999 and 2000, despite economic uncertainty and slower job growth flowing from lower prices for agricultural products and other commodities, housing demand will be relatively unchanged from the strong showing in 1998.

Demand for rental housing will remain especially strong, aided by in-migration of construction workers throughout the province. Historically low vacancy rates in Saskatchewan cities will motivate property owners to raise rents. The resulting income increases will allow them to restructure their finances and renovate their buildings.

Although rent increases tend to send renters in search of alternative

Key Provincial Indicators

SASKATCHEWAN	1998	1999(F)	2000(F)
Real GDP (% Change)*	2.5	2.3	2.0
Employment (% Change)	0.9	1.5	1.2
Unemployment Rate (%)	5.9	5.5	5.2
Housing Starts (Units)			
Total	2965	2850	2750
Singles	2154	2100	1900
Multiples	811	750	850
MLS Sales (Units)	8068	7800	7800
Average MLS Price (Dollars)	87577	90000	90000

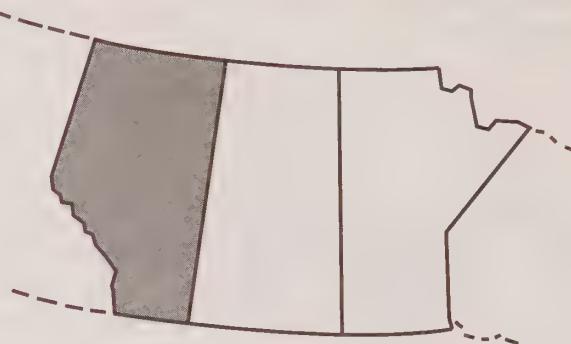
SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

Alberta

by Patricia Brunnen and Richard Goatcher



Highlights

- Slowdown in economy continues through 1999.
- Housing starts ease off this year and decline further in 2000.
- Resale markets weaken in 1999; price growth moderates.

Housing markets put in a mixed performance in 1998

Alberta's economy slowed in 1998 as the province's resource sector struggled with weak world prices for a number of key commodities. However, job seekers from other parts of Canada continued to bolster

in-migration. New home construction surged in response, with total starts exceeding the 27,000 unit mark, for a gain of over 14 per cent.

In contrast, a slowdown in Calgary and cities in the northeastern part of the province prevented sales of existing homes from reaching 1997's record levels. For the second year running, resale prices advanced by over six per cent province-wide, causing affordability constraints.

Meanwhile, rental markets continued to tighten in most communities, pushing rents higher. Calgary maintained its position as the tightest major rental market in Canada, while apartment vacancies in Edmonton fell to their lowest levels since 1990.

1999-2000 Outlook

Economic activity slows in 1999

Dampened demand for primary products will slow economic activity in the province in 1999. Job creation will be limited to 2.0 per cent, as layoffs are expected in the oil patch in the first half of this year. Employment growth is forecast to rise in 2000, with a strengthening in the demand for commodities world-wide.

Conditions for Alberta's forestry sector will remain soft, with a mild recovery near the end of next year. Slower growth in North America, plus limited global demand for lumber and pulp and paper, will keep prices low. By 2000, however, forestry products will benefit from a

turnaround in Asian consumption. Assuming favourable market conditions, investment in the modernization of existing mills and the construction of new lumber plants is scheduled for 2000.

Following a year of historically low world prices, oil companies have had no choice but to reduce exploration budgets and eliminate all unnecessary costs.

Energy firms will keep a watchful eye on their oil and gas holdings. Moreover, acquisitions and mergers will continue in 1999 as firms attempt to generate income from a larger volume of transactions. Layoffs are expected as firms rationalize, thereby putting a drag on provincial employment growth next year.

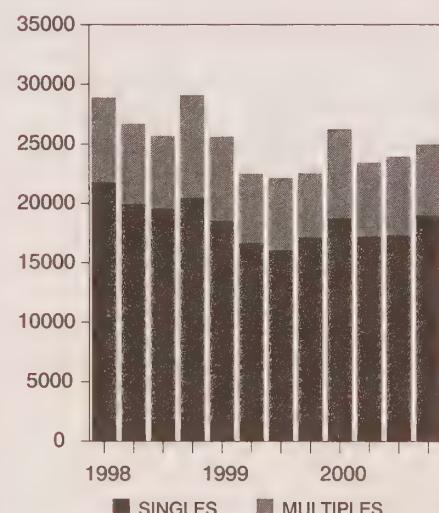
Spending on exploration and development activities will face continued downward pressure in 1999, but is not expected to collapse entirely. Low oil prices translate into less expensive reserves, for which producers will be scraping together as much cash as possible. Several heavy oil projects totalling over \$5 billion have been proposed for construction over the next three to five years.

The natural gas industry will be a source of economic growth in 1999. The expansion of gas pipeline capacity has increased the flow of natural gas from producers in Alberta for consumption in the U.S. market, thereby reducing the differential with prices that had been lower in Alberta. By 2000, the bulk of the pipeline expansion from Alberta to the Chicago hub will be completed and construction will begin on various pipeline projects throughout the province.

Housing Starts

ALBERTA

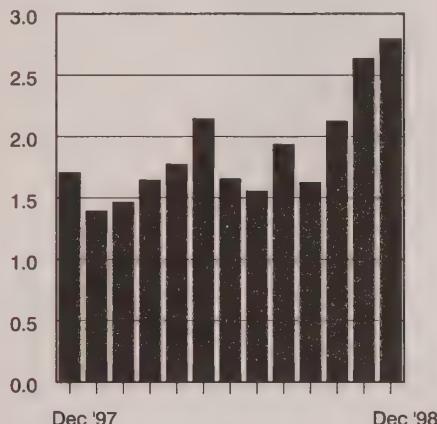
(units, seasonally adjusted at an annual rate)



SOURCE: CMHC.
1999-2000 forecast.

Natural gas prices sustain economy ALBERTA

(Can\$/gigajoule)



SOURCE: Canadian Gas Price Reporter, AECO spot price.

Reduced job creation in a number of provincial industries will cause the unemployment rate to rise to 6.2 per cent in 1999. Lower economic growth than in Ontario and other parts of the country will draw fewer new households to the province. Migration is expected to decline in 1999 and again in 2000.

Housing markets cooler in 1999

In line with the economic fundamentals, housing demand will soften across Alberta this year. Following a brisk performance in 1998, total housing starts will tumble by 15 per cent to levels slightly below those witnessed in 1997. Weaker in-migration, fewer new jobs and a pullback in business and consumer confidence will erode most of the gains established last year.

The weakening of resale markets, which hit most communities during the fourth quarter of 1998, will deepen in the coming months. The smaller pool of qualified buyers and more competition from a rising inventory of listings will make it harder for homeowners considering a trade-up to sell their existing homes. With fewer new homes

required to satisfy demand, price growth in the resale market will throttle back.

Single-detached starts will decline by more than 15 per cent this year, to 17,000, the first downturn since 1995. Nonetheless, this will still represent the second-largest provincial output and the third best year of the decade for Alberta's new house builders. Next year, moderate economic growth will limit single starts to the 15,500 mark.

A slowdown in sales of new condominiums in Calgary and Edmonton will put a damper on multiple-unit starts in 1999. Tighter rental market vacancies and rising rents will again boost the production of new rental units. However, the overall volume of multiple starts will drop by over a thousand units this year, representing a fall of 15 per cent. In 2000, condominium sales will maintain a consistent share of total multiple starts as activity slows to 5,500 units.

Sales of existing homes will continue on the down slope encountered last year. Even with more homes for sale, demand will falter over consumer concerns about job security and weaker income gains. Despite slower sales, prices will continue upward, but at a more modest pace.

The rental market in Calgary is expected to ease in 1999 as the jobless rate rises. Limited new rental construction will restrict upward movement of vacancies beyond 2.0 per cent in 2000. Rental rates will increase over the course

of next year; however, there will be substantial turnover as single-person and couple households double up or turn to home ownership.

Early in the year, rental markets in Edmonton will continue to tighten, but they will loosen slightly through 1999 and into 2000. Increased multiple-unit completions will add new supply into the city's downtown. While the lion's share of these new apartments are condominiums, they will nonetheless have a positive effect on the overall supply of rental units. ■

Key Provincial Indicators

ALBERTA	1998	1999(F)	2000(F)
Real GDP (% Change)*	3.5	2.4	2.8
Employment (% Change)	3.9	2.0	2.5
Unemployment Rate (%)	5.7	6.2	6.0
Housing Starts (Units)			
Total	27122	23000	21000
Singles	20077	17000	15500
Multiples	7045	6000	5500
MLS Sales (Units)	43383	39500	37500
Average MLS Price (Dollars)	132905	137000	139000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

British Columbia

by Charles King



Highlights

- Housing starts to continue to decline in 1999.
- MLS sales to rebound in 1999 and 2000.
- B.C. population growth rate continues to fall.
- Resource-dependent communities hardest hit.
- B.C.'s larger urban centres have strong service employment base.

Housing markets generally bleak in 1998

Housing market conditions were weak in B.C. in 1998, but more so in resource-dependent communities than in larger urban centres. An important indicator is the 1998 CMHC Rental Market Survey. The average B.C. vacancy rate was 5.3 per cent in 1998, much higher than the 4.7 per cent rate experienced in the recession of the early 1980s. The increase in vacancy rates over this period was noticeably higher in smaller centres than in Vancouver. Vancouver's 1998 vacancy rate of 2.7 per cent was just shy of the 2.8 per cent high point recorded in 1983. On a positive note, part of the rate increase has been the result of strong affordability in some markets, along with marketing campaigns in which developers entice renters to buy by showing that mortgage payments may be cheaper than renting.

New housing starts were down 32 per cent in 1998, to 19,931, the lowest level since 1986. Multiple-family starts dropped 32 per cent, while single starts dropped 33 per cent. Again, resource-dependent communities saw the most dramatic declines.

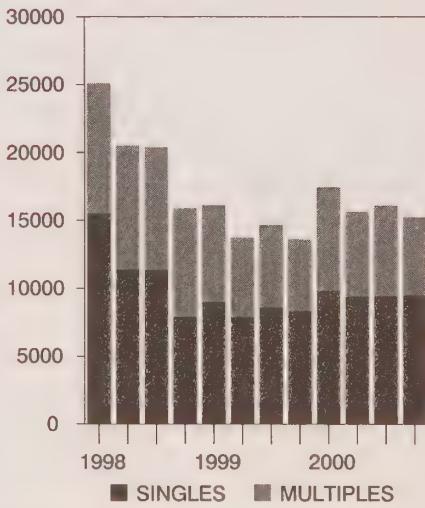
A significant consumer trend has been for international immigrants to favour multiple-family housing over single-detached housing. Developers in some markets have had growing difficulty obtaining construction financing for multiple-family housing projects. On the marketing side, as mentioned, developers have had success focusing on low

mortgage rates to entice renters to become home owners. On the construction side, the prices of developable land remained high and development costs kept increasing. There have even been problems attracting construction labour, as many tradespeople have left the province in search of better job prospects.

With the decline in new housing construction in 1998, inventory levels have remained in check. This is in contrast to the early 1980s, when the buildup in housing inventories took three to five years to work through the market in most areas. At the end of 1998, there was between two and four months worth

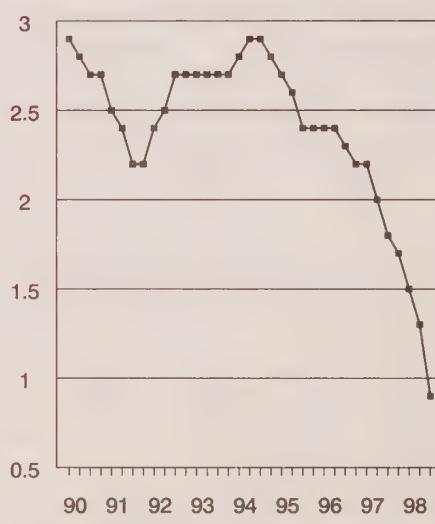
Housing Starts BRITISH COLUMBIA

(units, seasonally adjusted at an annual rate)

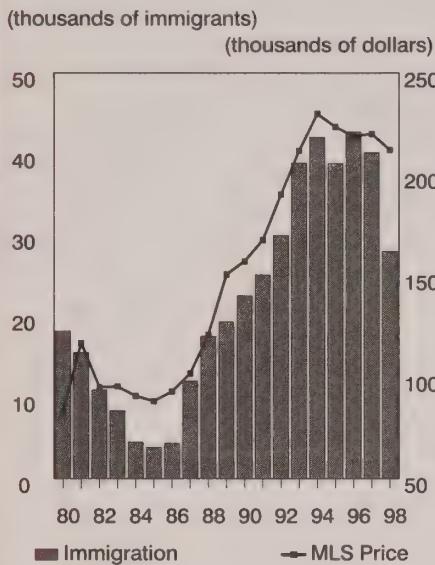


Population growth drops below one percent BRITISH COLUMBIA

(annual percent growth rate)



Average MLS price and immigration BRITISH COLUMBIA



SOURCE: Canadian Real Estate Association, B.C. Statistics.
1998 estimate by CMHC.

has been consuming over 35 per cent of B.C.'s exports. In 1998, Japanese housing starts tumbled by over 40 per cent from a recent high of approximately 1.7 million starts in 1996. Because nearly 40 per cent of housing starts in Japan are of wood-frame construction, this decline has taken a bite out of the B.C. forest industry. With strong international competition among suppliers of newsprint, pulp and lumber, it is not surprising that the \$16 billion B.C. forest industry reported revenues down 14 per cent in 1998, plus plant closures and employment reductions. Unrelated to world economic events, lower than expected fish counts resulted in a major restructuring of B.C.'s sports and commercial fishing industries, to the detriment of coastal communities. Except for Fort St. John and other smaller communities in B.C.'s northeast which have experienced healthy economic conditions from the oil and gas industry, most of the province's mining towns faced economic decline.

In contrast, the service-oriented communities did not falter last year. In fact, service employment continued to grow during the recent economic slowdown. Since 1976, service jobs have increased by over 160 per cent, with business and professional services the fastest growing segment (up 355 per cent). There are now over 1.5 million service-related jobs in B.C., over two thirds of all jobs. Vancouver, with the most diverse service economy, has achieved solid employment growth in all service areas, notably in the film and TV industry, which has been growing at 20 per cent per year for the last 20 years. Its 1998 revenues were in excess of \$750 million. Other regions with a service focus include Victoria, Kelowna, Kamloops and Nanaimo. However, B.C. continues to have the highest number of part-time employees in the nation, plus a significant proportion of employment increases resulting from self-employment.

While there have been losses in primary jobs, strong job growth in service jobs has helped keep B.C.'s unemployment rate around 8.9 per cent

for 1998, up slightly from 8.7 per cent in 1997. In contrast, the B.C. unemployment rate approached 15 per cent in the early 1980s and topped 11 per cent in the early 1990s. Vancouver's unemployment rate continues to remain in the 7.0 - 8.0 per cent range, while smaller communities are well above 10 per cent. The good news is that full-time job growth in B.C. improved toward the end of 1998, but it is unlikely that this will translate into new housing demand prior to 2000.

Declining population growth and increasing out-migration

Even with positive employment growth, B.C.'s economic performance has lagged behind that of Alberta and Ontario. As a result, people continue to move to Alberta, as they have since two years ago, when job prospects began to look better east of the Rockies. As of the third quarter of 1998, total net interprovincial migration for the year was negative, an outflow of 14,682 persons. This indicates that more people are leaving B.C. than coming in from other provinces. In contrast, by the third quarter of 1997, B.C. had reported an increase of 6,462 persons. International immigration was also more than 30 per cent lower in 1998 than in 1997, with a net inflow of 22,453 persons as of the third quarter. As a result, the population growth rate has dropped below 1.0 per cent. This has been the main cause of the decline of B.C.'s housing market.

Housing market to decline in 1999

Prices for all natural resources except natural gas are forecast to stay flat or decline in 1999. As a result, we can expect weak housing market conditions, especially in B.C.'s resource-dependent communities. Total new housing starts are expected to reach 18,400 units, down 8 per cent from 1998. The good news is that there is very little speculative building in the B.C. housing market. Most new condominium projects will begin construction only when 50 per cent of the proposed units are sold (that is, secured by a purchaser with a deposit). As such, the

of new single-detached home inventories in most markets. The oversupply of condominium apartments was greater, from six to nine months in healthy markets and as high as twenty months of inventory in smaller markets.

1999-2000 Outlook

A province with two economies

In 1998, it became apparent that British Columbia consisted of two distinct economies. One comprises the resource-dependent communities in the interior, northern, and coastal regions of B.C., and the second is the service-oriented communities in larger urban centres.

As 1998 unfolded, the economic news coming out of B.C. proved to be worse than expected. The depth and breadth of the Asian crisis that shocked the world had its greatest effect on economies with Pacific Rim trading relationships. The impact has been especially brutal for B.C.'s commodity producers, since Asia

current housing market is demand driven, and developers and builders are flexible, changing unit sizes and amenities to meet consumer preferences. Developers are even willing to change plans, for example, on sites originally geared to first-time buyers if there is more immediate demand from seniors for congregate care housing or "care-aminiums." (Care-aminiums are a new type of seniors housing, typically in which three units share a common kitchen.) Alternatively, developers may go ahead with an apartment condominium project and rent the units until there is sufficient demand for consumers to buy.

Positive year 2000 outlook could be a turning point

If the new housing market is to recover, consumer demand will have to rise while new housing inventories remain low. The first sign of a 1999 recovery will be in the resale housing market. Figures for 1998 report 52,910 MLS sales in B.C., down 22 per cent from 1997. This market is forecast to improve to 58,000 sales in 1999 and to 62,000 in 2000. The key economic and demographic indicators to look at in judging MLS prospects are B.C. employment growth figures relative to Alberta and Ontario. These give a sense of inter-provincial migration trends and can

thus indicate future demand for housing. Although publicity has decreased, there is still concern among consumers regarding the "leaky condo" syndrome which most noticeably restrained wood-frame apartment sales in coastal B.C. markets during much of 1998.

Price stability for resale homes is expected to follow a pickup in MLS resale activity. Since February 1995, when the average price of a resale home in B.C. reached a high of \$248,000, the average price has fallen 17 per cent, to an estimated \$207,000 by the end of 1998. The forecast for 1999 is for prices to continue to fall, by 6 per cent to \$200,000, largely because of declining international immigration. However, there is evidence that prices will recover by year end in some preferred neighbourhoods. Prices will become stable in 2000, when the average B.C. MLS price is forecast to increase by 1 per cent to \$202,000.

Early estimates suggest that the Asian economy will begin to pick up in 2000. An increase in Japanese housing starts, triggering demand for B.C. lumber and raising prices, may be the first sign of recovery. If B.C. job growth continues to improve, as it did during the latter part of 1998, this would also trigger demand for new housing by 2000. As well, it is

expected that B.C.'s real gross domestic product will rise by 1.5 per cent in 2000, following two years of flat or slightly negative growth. Overall employment numbers will show some life, but mainly in service employment rather than primary or manufacturing industries. All of these factors will make consumers more price-conscious, and multiple-family housing will be the preferred choice in more expensive housing markets.

A number of developers with land holdings ready for development have not drawn building permits, since to do so they would have to complete final working drawings, pay servicing costs and incur other costs. While this means low starts levels in 1999, the good news is that new housing inventories will remain in check. With rising consumer demand and little new housing stock available, it is forecast that developers will respond with 23,000 housing starts in 2000, a 25 per cent increase over 1999. The key areas of concern relate to continued rising prices for developable land, more regulations and higher servicing and development costs, which developers feel could decrease housing starts by placing new housing costs beyond the reach of consumers. ■

Key Provincial Indicators

BRITISH COLUMBIA

	1998	1999(F)	2000(F)
Real GDP (% Change)*	-0.5	0.2	1.5
Employment (% Change)	1.2	1.0	1.8
Unemployment Rate (%)	8.9	9.1	8.8
Housing Starts (Units)			
Total	19931	18400	23000
Singles	8691	8400	9500
Multiples	11240	10000	13500
MLS Sales (Units)	52910	58000	62000
Average MLS Price (Dollars)	212046	200000	202000

SOURCES: CMHC, The Canadian Real Estate Association, and Statistics Canada.

(F) Forecast by CMHC.

*Estimate by CMHC for 1998

Housing Starts

Total (units and annual percent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	2243	1712	2034	1696	1450	1500	1500
%	-6.7	-23.7	18.8	-16.6	-14.5	3.4	0.0
PEI	669	422	554	470	524	535	550
%	3.7	-36.9	31.3	-15.2	11.5	2.1	2.8
NS	4748	4168	4059	3813	3137	3550	3450
%	10.9	-12.2	-2.6	-6.1	-17.7	13.2	-2.8
NB	3203	2300	2722	2702	2447	2575	2700
%	-13.3	-28.2	18.3	-0.7	-9.4	5.2	4.9
QUE	34154	21885	23220	25896	23138	22500	24000
%	0.4	-35.9	6.1	11.5	-10.7	-2.8	6.7
ONT	46645	35818	43062	54072	53830	59500	63000
%	3.3	-23.2	20.2	25.6	-0.4	10.5	5.9
MAN	3197	1963	2318	2612	2895	2585	2720
%	31.8	-38.6	18.1	12.7	10.8	-10.7	5.2
SASK	2098	1702	2438	2757	2965	2850	2750
%	11.6	-18.9	43.2	13.1	7.5	-3.9	-3.5
ALTA	17692	13906	16665	23671	27122	23000	21000
%	-2.5	-21.4	19.8	42.0	14.6	-15.2	-8.7
BC	39408	27057	27641	29351	19931	18400	23000
%	-7.9	-31.3	2.2	6.2	-32.1	-7.7	25.0
CAN	154057	110933	124713	147040	137439	*137000	*144700
%	-0.9	-28.0	12.4	17.9	-6.5	-0.3	5.6

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual percent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	1455	1165	1395	1220	1086	1150	1200
%	-6.7	-19.9	19.7	-12.5	-11.0	5.9	4.3
PEI	454	364	430	374	387	395	405
%	-1.3	-19.8	18.1	-13.0	3.5	2.1	2.5
NS	3358	3040	3278	2939	2257	2350	2550
%	7.4	-9.5	7.8	-10.3	-23.2	4.1	8.5
NB	2547	1722	2173	2125	1989	2100	2200
%	0.5	-32.4	26.2	-2.2	-6.4	5.6	4.8
QUE	18414	13428	14818	16073	14685	15000	16500
%	7.5	-27.1	10.4	8.5	-8.6	2.1	10.0
ONT	30036	20124	27019	35401	32737	37000	39000
%	14.5	-33.0	34.3	31.0	-7.5	13.0	5.4
MAN	2441	1564	1875	2019	2368	2025	2100
%	30.3	-35.9	19.9	7.7	17.3	-14.5	3.7
SASK	1542	1341	1612	1954	2154	2100	1900
%	14.9	-13.0	20.2	21.2	10.2	-2.5	-9.5
ALTA	12671	10096	12949	18170	20077	17000	15500
%	-2.8	-20.3	28.3	40.3	10.5	-15.3	-8.8
BC	16591	11581	12447	12911	8691	8400	9500
%	-6.7	-30.2	7.5	3.7	-32.7	-3.3	13.1
CAN	89509	64425	77996	93186	86431	*87500	*90900
%	5.2	-28.0	21.1	19.5	-7.2	1.2	3.9

Multiples

(units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	788	547	639	476	364	350	300
%	-6.9	-30.6	16.8	-25.5	-23.5	-3.8	-14.3
PEI	215	58	124	96	137	140	145
%	16.2	-73.0	113.8	-22.6	42.7	2.2	3.6
NS	1390	1128	781	874	880	1200	900
%	20.2	-18.8	-30.8	11.9	0.7	36.4	-25.0
NB	656	578	549	577	458	475	500
%	-43.4	-11.9	-5.0	5.1	-20.6	3.7	5.3
QUE	15740	8457	8402	9823	8453	7500	7500
%	-6.7	-46.3	-0.7	16.9	-13.9	-11.3	0.0
ONT	16609	15694	16043	18671	21093	22500	24000
%	-12.1	-5.5	2.2	16.4	13.0	6.7	6.7
MAN	756	399	443	593	527	560	620
%	37.2	-47.2	11.0	33.9	-11.1	6.3	10.7
SASK	556	361	826	803	811	750	850
%	3.3	-35.1	128.8	-2.8	1.0	-7.5	13.3
ALTA	5021	3810	3716	5501	7045	6000	5500
%	-1.8	-24.1	-2.5	48.0	28.1	-14.8	-8.3
BC	22817	15476	15194	16440	11240	10000	13500
%	-8.8	-32.2	-1.8	8.2	-31.6	-11.0	35.0
CAN	64548	46508	46717	53854	51008	*49500	*53800
%	-8.2	-27.9	0.4	15.3	-5.3	-3.0	8.7

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

	Centres 10,000 Population and Over						Other Areas	All Other Areas
	Rental/Co-op		Total	Condo	Other*	Total		
	Private	Assisted	Rental			10,000+		
NFLD								
1998	18	0	18	78	255	351	13	364
1999	100	0	100	40	200	340	10	350
2000	50	0	50	40	200	290	10	300
PEI								
1998	105	0	105	0	7	112	25	137
1999	105	0	105	0	5	110	30	140
2000	110	0	110	0	5	115	30	145
NS								
1998	418	0	418	89	186	693	187	880
1999	750	0	750	100	200	1050	150	1200
2000	600	0	600	50	150	800	100	900
NB								
1998	264	0	264	12	129	405	53	458
1999	275	0	275	20	140	435	40	475
2000	290	0	290	20	140	450	50	500
QUE								
1998	2529	0	2529	3234	2287	8050	403	8453
1999	2100	0	2100	3300	1889	7289	211	7500
2000	2100	0	2100	3300	1900	7300	200	7500
ONT								
1998	1,159	15	1,174	9,080	10,740	20,994	99	21,093
1999	1,850	0	1,850	9,200	11,100	22,150	350	22,500
2000	2,900	0	2,900	9,500	11,200	23,600	400	24,000
MAN								
1998	120	0	120	365	0	485	42	527
1999	180	0	180	280	0	460	100	560
2000	200	0	200	310	0	510	110	620
SASK								
1998	67	0	67	627	7	701	110	811
1999	50	0	50	600	0	650	100	750
2000	50	0	50	700	0	750	100	850
ALTA								
1998	692	0	692	4706	701	6099	946	7045
1999	900	0	900	3700	600	5200	800	600
2000	800	0	800	3500	500	4800	700	5500
BC								
1998	600	100	700	9100	788	10588	652	11240
1999	800	200	1000	8000	600	9600	400	10000
2000	600	200	800	11400	800	13000	500	13500
CAN								
1998	5972	115	6087	26344	15100	48478	2530	51008
1999	7110	200	7310	23829	14734	47284	2191	**49500
2000	7700	200	7900	27420	14895	51615	2200	**53800

SOURCE: CMHC.

1998 Actual, 1999-2000 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

New Housing

Total New House Price Index* (annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
ST. JOHN'S	-2.5	0.1	-1.1	-2.1	-1.2	0.5	0.5
HALIFAX	5.9	2.9	0.8	-2.4	0.8	1.5	2.0
SAINT JOHN	0.4	-0.1	-1.0	-3.2	-2.3	-1.0	0.1
QUEBEC CITY	-1.6	0.7	-1.4	-0.4	0.6	1.0	1.5
MONTRÉAL	1.9	0.8	-0.1	-0.0	0.4	1.5	1.5
OTTAWA	2.1	-1.8	-1.5	0.6	0.7	1.3	1.3
TORONTO	-0.1	0.7	-1.2	2.2	3.2	2.5	2.4
HAMILTON	0.2	-1.1	-0.8	3.9	3.2	2.0	2.0
ST. CATHARINES	-7.7	-0.8	1.0	3.9	3.1	0.4	0.4
KITCHENER	-1.4	-0.7	-0.2	0.8	2.1	1.3	1.3
LONDON	0.2	-2.7	-1.0	1.0	0.4	1.4	1.4
WINDSOR	-2.3	1.1	0.4	3.6	0.3	1.0	1.0
SUDBURY-							
THUNDER BAY	2.0	0.2	-0.2	-0.6	-2.3	0.2	0.4
WINNIPEG	3.4	1.5	0.9	1.2	0.8	1.0	1.0
REGINA	4.0	3.1	1.6	3.6	4.2	3.0	3.0
SASKATOON	1.4	0.9	1.8	1.9	2.2	2.0	2.0
CALGARY	2.4	0.8	1.0	6.7	7.6	4.0	3.0
EDMONTON	0.9	-1.3	-0.8	1.8	3.4	2.5	3.0
VANCOUVER	-0.6	-5.2	-6.1	-3.2	-5.0	-4.0	-2.0
VICTORIA	-0.9	-8.6	-7.1	-3.0	-5.6	-8.0	-3.0
CANADA	0.1	-1.2	-1.9	0.8	0.9	0.9	1.3

Source: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	1873	1655	2005	2170	2288	2275	2275
%	0.3	-11.6	21.1	8.2	5.4	-0.6	0.0
PEI	599	476	750	806	1125	1200	1150
%	-8.4	-20.5	57.6	7.5	39.6	6.7	-4.2
NS	7140	7019	8332	7567	8052	8200	7800
%	-0.6	-1.7	18.7	-9.2	6.4	1.8	-4.9
NB	3339	3496	4023	3941	3908	3900	3800
%	-4.1	4.7	15.1	-2.0	-0.8	-0.2	-2.6
QUE	33575	29824	39213	43405	45240	43177	42313
%	5.3	-11.2	31.5	10.7	4.2	-4.6	-2.0
ONT	116005	105789	138859	140608	138464	140000	140500
%	7.8	-8.8	31.3	1.3	-1.5	1.1	0.4
MAN	10825	9749	10965	11180	10762	10700	10900
%	2.6	-9.9	12.5	2.0	-3.7	-0.6	1.9
SASK	7459	7349	8689	8346	8068	7800	7800
%	1.1	-1.5	18.2	-3.9	-3.3	-3.3	0.0
ALTA	32512	29098	37485	43693	43383	39500	37500
%	-12.2	-10.5	28.8	16.6	-0.7	-9.0	-5.1
BC	75270	58082	72182	68182	52910	58000	62000
%	-7.0	-22.8	24.3	-5.5	-22.4	9.6	6.9
CAN**	288597	252537	322503	329898	314200	*314800	*316000
%	0.0	-12.5	27.7	2.3	-4.8	0.2	0.4

Average Residential Price (dollars and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	91697	89525	93666	92212	91514	92000	92500
%	0.5	-2.4	4.6	-1.6	-0.8	0.5	0.5
PEI	78753	73807	83962	86352	79577	79000	81500
%	8.7	-6.3	13.8	2.8	-7.8	-0.7	3.2
NS	91109	89788	93843	96696	97015	99750	102000
%	2.4	-1.4	4.5	3.0	0.3	2.8	2.3
NB	84149	83994	84206	87211	85948	87250	88000
%	-0.9	-0.2	0.3	3.6	-1.4	1.5	0.9
QUE	102242	98837	98586	101751	104055	106896	109000
%	-0.2	-3.3	-0.3	3.2	2.3	2.7	2.0
ONT	160033	154537	155584	164382	167114	171500	175000
%	2.3	-3.4	0.7	5.7	1.7	2.6	2.0
MAN	83761	81897	85316	85403	86334	86200	87000
%	2.5	-2.2	4.2	0.1	1.1	-0.2	0.9
SASK	72738	73796	77476	83980	87577	90000	90000
%	2.9	1.5	5.0	8.4	4.3	2.8	0.0
ALTA	117336	114772	117672	124864	132905	137000	139000
%	0.2	-2.2	2.5	6.1	6.4	3.1	1.5
BC	229514	221860	218687	220511	212046	200000	202000
%	8.3	-3.3	-1.4	0.8	-3.8	-5.7	1.0
CAN**	158309	150353	150840	154658	152398	*154800	*158300
%	3.5	-5.0	0.3	2.5	-1.5	1.6	2.3

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1995	1996	1997	1998	1999(F)	2000(F)
CALGARY	46008	3.6	1.5	0.5	0.6	1.5	2.0
CHICOUTIMI- JONQUIÈRE	8447	6.0	5.4	4.1	4.8	5.0	5.0
EDMONTON	64181	10.2	7.6	4.6	1.9	1.5	2.0
HALIFAX	31282	7.7	8.7	7.7	5.5	5.0	5.0
HAMILTON	42946	2.0	2.2	3.1	3.2	2.9	2.7
KITCHENER	25935	2.2	1.8	1.9	1.5	1.4	1.4
LONDON	38477	4.3	6.0	5.1	4.5	4.1	3.6
MONTRÉAL	460262	6.2	5.7	5.9	4.7	4.3	4.0
OSHAWA	11116	2.7	3.7	2.4	2.0	1.5	1.4
OTTAWA	60703	3.8	4.9	4.2	2.1	2.0	2.4
HULL	18339	8.3	7.7	9.4	6.7	6.5	5.5
QUÉBEC CITY	73156	6.0	6.5	6.6	5.2	4.8	4.6
REGINA	11960	2.1	1.9	1.5	1.7	2.0	2.0
ST. CATHARINES - NIAGARA	16485	5.2	5.6	5.4	4.6	4.1	3.8
SAINT JOHN	7707	8.6	9.1	8.2	7.3	6.3	5.8
ST.JOHN'S	4464	10.8	15.4	16.6	15.4	14.5	14.0
SASKATOON	16800	1.0	0.7	0.9	1.8	2.0	2.0
SHERBROOKE	23745	6.2	6.6	7.5	7.3	6.3	6.3
SUDBURY	10853	6.0	6.8	7.2	9.4	7.5	7.0
THUNDER BAY	5304	6.2	5.6	7.7	9.3	9.5	8.9
TORONTO	303043	0.8	1.2	0.8	0.8	0.9	0.7
TROIS-RIVIÈRES	16218	7.2	8.0	8.6	8.5	8.4	8.0
VANCOUVER	106517	1.2	1.1	1.7	2.7	3.5	3.2
VICTORIA	23982	3.3	4.1	3.5	3.8	4.0	3.8
WINDSOR	14886	1.8	2.8	4.5	4.3	4.0	3.9
WINNIPEG	53921	5.4	6.0	5.9	4.0	3.8	4.4
CANADA**	1496737	4.3	4.3	4.1	3.4	3.3	3.2

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1998.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	0.7	1.4	-3.8	1.1	3.2	1.5	0.0
PEI	3.1	4.6	2.5	0.6	0.6	1.2	1.1
NS	3.1	1.2	0.2	1.8	3.0	0.7	0.5
NB	0.7	2.1	-0.3	1.1	2.6	1.6	1.1
QUE	2.5	1.5	0.3	1.5	2.1	1.4	1.6
ONT	1.4	1.4	1.5	1.9	3.7	2.9	3.0
MAN	0.5	2.0	0.8	2.4	1.5	2.0	1.4
SASK	0.5	0.7	0.2	2.8	0.9	1.5	1.2
ALTA	3.1	2.7	2.9	3.1	3.9	2.0	2.5
BC	4.0	1.7	2.5	1.8	1.2	1.0	1.8
CAN	2.1	1.6	1.3	1.9	2.8	2.0	2.2

Unemployment Rate (per cent)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	20.4	18.3	19.4	18.8	17.9	17.3	17.7
PEI	17.2	14.7	14.5	14.9	13.9	13.2	12.9
NS	13.3	12.1	12.6	12.2	10.7	10.6	10.3
NB	12.5	11.5	11.7	12.8	12.1	11.7	11.3
QUE	12.2	11.3	11.8	11.4	10.4	10.0	9.6
ONT	9.6	8.7	9.1	8.5	7.2	6.7	6.4
MAN	9.2	7.5	7.5	6.6	5.7	6.0	5.9
SASK	7.0	6.9	6.6	6.0	5.9	5.5	5.2
ALTA	8.6	7.8	7.0	6.0	5.7	6.2	6.0
BC	9.4	9.0	8.9	8.7	8.9	9.1	8.8
CAN	10.4	9.5	9.7	9.2	8.4	8.2	7.9

SOURCE: Statistics Canada
(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

	1994	1995	1996	1997	1998(E)	1999(F)	2000(F)
NFLD	-6921	-6886	-8400	-9856	-9000	-8500	-8000
PEI	830	558	478	-560	-416	-410	-340
NS	-82	1257	2361	99	-1250	250	-500
NB	-603	-844	-1250	-1762	-2200	-1950	-1900
QUE	14284	18279	8734	2495	6700	7200	7700
ONT	90571	93096	84229	100940	93100	98500	100000
MAN	-1356	-1216	-420	-3349	-1028	-435	-800
SASK	-2472	-1595	74	-1422	100	-800	-300
ALTA	9471	15582	23428	43453	54000	36000	21800
BC	80006	69005	68980	51602	13800	25800	44300
CAN**	183728	187236	178214	181640	153806	155655	161960

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

*Sum of the Interprovincial migration, international migration, non-permanent residents and returning Canadians

**Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates (Levels and quarterly percent change)

	97:Q2	97:Q3	97:Q4	98:Q1	98:Q2	98:Q3	98:Q4
New housing							
Building permits, units, thousands	150.8	159.2	150.1	151.1	145.2	142.5	..
%	-7.4	5.6	-5.7	0.7	-3.9	-1.8	..
Housing starts, total, thousands	145.0	148.3	148.2	151.0	137.9	131.3	137.7
%	-4.4	2.3	-0.1	1.9	-8.7	-4.8	4.9
Housing starts, singles, thousands	91.1	93.8	92.1	91.1	86.4	83.1	88.0
%	-9.1	3.0	-1.8	-1.1	-5.2	-3.8	5.9
Housing starts, multiples, thousands	53.9	54.5	56.1	59.9	51.5	48.2	49.7
%	4.9	1.1	2.9	6.8	-14.0	-6.4	3.1
Housing completions, total, thousands	148.1	141.5	148.6	146.0	137.5	127.2	129.8
%	10.9	-4.5	5.1	-1.7	-5.8	-7.5	2.0
New house price index, 1992=100	99.1	99.2	99.5	99.8	100.0	100.2	..
%	0.3	0.1	0.3	0.3	0.2	0.2	..
Existing housing							
MLS resales, units, thousands	328.6	322.1	314.3	299.9	327.9	327.1	301.9
%	-5.7	-2.0	-2.4	-4.6	9.3	-0.2	-7.7
MLS average resale price, \$C thousands	155.6	155.1	155.3	153.0	151.6	150.6	154.6
%	1.6	-0.3	0.1	-1.5	-0.9	-0.7	2.7
Mortgage market							
Mortgages outstanding, \$C billions	367.2	370.9	374.5	379.0	383.9	389.7	..
%	1.3	0.9	1.0	1.2	1.3	1.5	..
Mortgage approvals, \$C billions	77.1	73.2	67.2	66.9	75.6	77.3	..
%	-8.3	-5.1	-8.1	-0.5	13.0	2.3	..
1-year mortgage rate, per cent*	5.4	5.7	6.0	6.4	6.6	6.7	6.4
5-year mortgage rate, per cent*	7.3	7.0	6.8	6.9	7.0	7.1	6.8
Residential investment**							
Total, \$1992 billions	42.4	42.5	42.9	42.9	42.5	41.3	..
%	1.6	0.0	1.0	-0.0	-0.9	-2.9	..
New, \$1992 billions	21.7	21.5	21.9	21.9	21.1	19.7	..
%	5.6	-1.0	2.0	-0.1	-3.6	-6.6	..
Alterations, \$1992 billions	13.3	13.5	13.8	14.3	14.1	13.9	..
%	1.7	1.3	2.0	3.5	-1.5	-1.3	..
Transfer costs, \$1992 billions	7.4	7.5	7.2	6.8	7.4	7.7	..
%	-8.4	0.6	-3.6	-6.6	9.0	4.7	..
Deflator, 1992=100	107.7	106.6	107.2	107.7	108.4	108.4	..
%	0.9	-1.0	0.6	0.4	0.7	-0.0	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available

* All indicators are seasonally adjusted, except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



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SECOND QUARTER, 1999**

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- *Rental Market Survey Reports* for all major metropolitan areas (annual)
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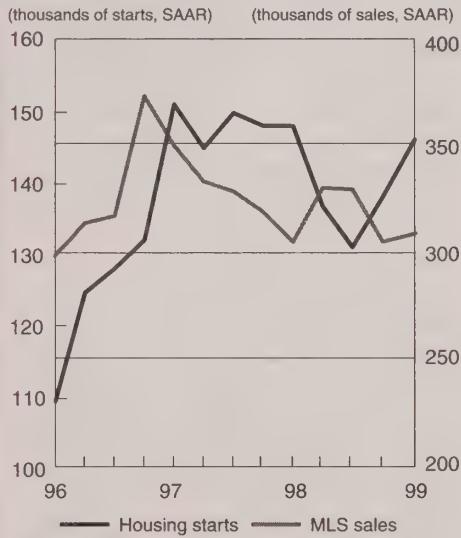
Cette publication est aussi disponible en français sous le titre Perspectives nationales du marché de l'habitation
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Housing review

Housing starts increased in the first quarter

New construction catching up, resales stabilize

Housing Starts and Residential MLS* Sales - Canada

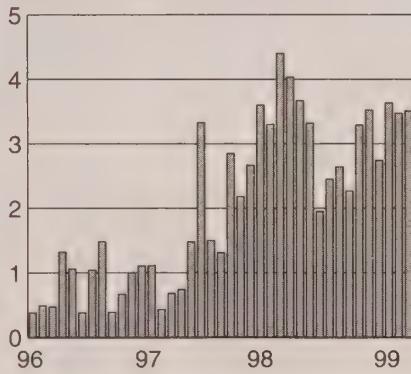


Source: CMHC, Canadian Real Estate Association.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Full-time employment growth stabilizes

(year-over-year per cent change)



Source: Statistics Canada

The pace of home construction increased in the first quarter of 1999, with housing starts reaching 145,900 at a seasonally adjusted annual rate (SAAR), up 6.0 per cent from the previous quarter. The gain was attributable to a jump in multiple construction, which rose 18.1 percent, more than offsetting a 0.9 per cent drop in single-detached starts.

A number of economic and market conditions provided a boost to home building, including affordable house prices, low mortgage rates, strong job creation, low vacancy rates and improving consumer confidence. The multiples segment particularly benefited, as demand strengthened for moderately priced semi-detached units, row houses and condominiums.

The increase in home building was not evenly spread across the country. The strongest growth took place in the Atlantic region and Ontario. Starts increased more modestly in British Columbia and in Quebec and fell in the Prairies. Manitoba bucked the regional trend, registering a healthy increase.

Sales of existing homes remain moderate

In recent years, affordable home prices and low mortgage rates resulted in attractive home-buying conditions that, for a time drew many households into home ownership. However, after a record number of resale transactions in 1997, sales have moderated. In the first quarter of 1999, there were 310,000 sales, 3.0 per cent higher than in the fourth quarter of 1998. Sales in 1998 as a whole were 4.8 per cent lower than in the record year of 1997.

Average MLS prices edged down 0.3 percent during the first quarter. In most markets, conditions remained favourable to prospective buyers, who enjoyed a plentiful selection of homes for sale and strong bargaining power.

Economic outlook 1999-2000

Economy still healthy

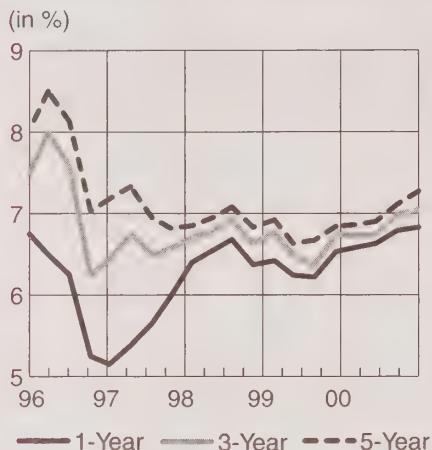
Positive developments during the past two quarters have improved the outlook for the Canadian economy. These include strong employment growth, rebounding equity markets, lower interest rates, and the resilient strength of the U.S. economy. In 1998, Canada withstood a global economic slowdown that reduced demand for raw materials and commodity prices. Real GDP was down from 3.8 per cent the year before to a still healthy 3.0 per cent. The economy picked up strength in the fourth quarter, expanding at an annual rate of 4.6 per cent, following resolution of a series of strikes in the summer and fall. Growth continued in January of this year, albeit at a more modest pace. With over 80 per cent of exports destined for the United States, Canada has been buffered by the extremely strong performance of the U.S. economy. By the same token, Canadian exporters will feel the effects of moderating growth south of the border forecast for 1999 and 2000. Accordingly, growth in Canada is expected to slip to 2.8 per cent in 1999 and to 2.1 per cent in 2000.

Employment growth slowing

Despite the expectation of slower economic growth, a number of factors should prove favourable to housing markets. For starters, 1998 was the best year of the decade for job creation. Employment growth is not expected to keep pace with last year's, but it is still forecast to be strong in 1999 before tailing off in 2000. Total employment growth slowed in the first quarter, but the increase in full-time jobs actually surpassed the gain for the first quarter of 1998.

It takes time for an increase in employment to affect housing markets. A sustained period of job creation raises disposable income and brings a wider range of housing options, including home ownership, within the reach of more individuals and families. Total housing demand rises as individuals and families that share dwellings opt to form independent households.

Mortgage rates up slightly



Source: Bank of Canada.
1999-2000 forecast by CMHC.

Mortgage rates remain low

Mortgage rates rose in January and February, when the strong performance of the U.S. economy revived fears of inflation. Rates dropped in March and April on the strength of Canada's extremely low inflation rate and interest rate cuts in Canada and Europe.

A number of factors point to continued low interest and mortgage rates in Canada in the coming months:

- Recent interest rate cuts in Europe and stable rates in the U.S.
- Concerns about overvaluation in some equity markets, which could channel additional funds to the safety of fixed-income securities, pushing rates down
- The absence of inflation
- Budgetary surpluses for the federal government and most provinces
- Availability of unused capacity in the economy

In addition, heightened volatility in financial markets has led lenders to allow for larger-than-normal mortgage bond yield spreads. Greater financial stability is expected to reduce these spreads by the end of the year. On balance, mortgage rates are forecast to decline moderately in coming months before beginning to rise late in the year. There is still a risk of higher rates if the Canadian dollar comes under pressure.

The 1999 rate ranges for one-year, three-year, and five-year mortgage terms are, respectively, expected to be 6.00-6.75 per cent, 6.25-7.00 per cent, and 6.50-7.25 per cent. They are expected to increase in 2000 but to remain attractive.

Consumer confidence improving

Improving consumer confidence will also give housing markets a boost. Confidence plunged in the third quarter of 1998, when the Canadian dollar weakened, stock markets fell and interest rates rose. In the last two quarters, when equity markets rebounded, the dollar stabilized and employment prospects strengthened, consumer confidence fully recovered from the drop.

Immigration remains low

International migration exceeds natural increase (births minus deaths) as a source of population growth and hence is ultimately a major influence on housing demand. The target range for immigration in 1998, including refugees, was 200,000-225,000, the same as for 1999. In 1998, immigration fell well short of these levels, reaching only 174,000, down significantly from 216,100 in 1997. To the extent that the decrease was linked to economic difficulties in Asia, it may be next year before immigration totals improve. Although recent immigrants tend to have low rates of household formation and home ownership, the drop in arrivals is nonetheless not a positive factor for housing markets. Immigration will affect housing mainly in the major metropolitan areas of the four provinces - Quebec, Ontario, Alberta, and British Columbia - in which over 90 percent of immigrants settle.

Interprovincial migration is also an important contributor to housing demand. British Columbia, formerly the favourite destination of interprovincial migrants, is now losing population to other provinces. Migration to Alberta is also expected to diminish as the provincial economy slows. With a strong economy, Ontario should enjoy heavier population inflows in the next two years.

Housing Outlook 1999-2000

Stability in 1999, modest gains in 2000

More moderate job creation and reduced net migration will tend to slow demand for housing this year. However, one-time events that hampered construction in 1998 are unlikely to be repeated. These

included a series of strikes in the building trades and other industries and the deepening Asian crisis. As a result, the number of housing starts will remain close to last year's total, near the 137,100 mark in 1999. Starts will grow by some 5.0 per cent to reach 144,100 units in 2000. Gains next year will be assisted by gradual improvement in net international migration and better balanced regional economic growth.

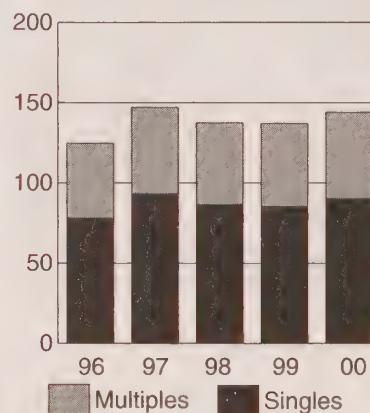
Higher house prices in most provinces will slightly tilt consumer buying preferences away from the higher-priced single-detached units and toward the semi-detached, row, and apartment type dwellings this year. As a result there will be fewer starts of single-detached homes, down 1.3 per cent to 85,300 units in 1999. Faster growing disposable income will compensate house price effects and lift demand for single units some 5.6 per cent to 90,100 in 2000. In contrast, multiple-type dwellings will gain in popularity and multiples starts will rise 1.6 per cent to 51,800 units this year and another 4.1 per cent to 53,900 units next year. Condominiums and other owned home units will still represent the bulk of new multiples construction.

Resale market holds steady

The resale market will be stable in 1999 and 2000. Sales through the MLS system will continue to exceed 300,000 per year but will fall short of the record 1997 level. Sales will increase marginally, by 0.8 per cent to 316,900 in 1999 and by

Singles, multiples to post gains next year

(thousands of starts)



Source: CMHC.
1999-2000 forecast.

1.6 per cent to 322,000 transactions in 2000. Nationally, the average price of houses sold will climb 2.6 per cent to \$156,300 in 1999. Next year, prices will increase by another 2.6 per cent to \$160,400, bolstered by a stronger market in British Columbia.

Ontario and the Atlantic stand out in 1999

In 1999, the strongest home building activity will occur in Ontario and the Atlantic region. Ontario will benefit from a resilient economy, strong job creation and rising in-migration. The increase in starts forecast for the Atlantic region reflects the positive effects of numerous megaprojects. In 2000, Ontario's strong

performance will continue but the largest gain in starts will occur in British Columbia, a jump of 23.3 per cent. Coming on the heels of major declines in 1997 and 1998, however, the rebound in B.C.'s housing market will still leave construction levels far below those of the mid-1990s. ■

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Newfoundland

Widespread improvement in housing demand

As expected, provincial housing demand recorded widespread improvement during the first quarter of 1999. Employment, mostly full-time, shot up a robust 5.7 per cent. It combined with low interest rates and favourable weather conditions to yield healthy gains in residential construction. Housing starts also benefited from continued strength in the resale market, which created shortages of good-quality existing homes. Urban starts jumped almost 14 per cent during the first quarter, largely on the strength of single-detached activity in St. John's. Starts in rural areas also improved during the first three months, for the first quarterly increase since last spring. Demand for existing homes remained strong, with total provincial MLS sales climbing 7.2 per cent higher than levels in the first quarter of 1998.

Provincial housing markets are expected to benefit from another year of strong economic expansion, especially in urban centres and particularly in the St. John's region. All of the increased construction will be in single-detached starts, which are forecast to rise to 1,200 in each of the next two years. In contrast, with double-digit vacancy rates remaining a drag on multiple-unit activity, these

starts are expected to decline in 1999 and 2000. Sustained employment growth, competitive price advantages and low interest rates will continue to support the resale market. However, reduced supplies of good-quality existing units will temper overall sales activity. Accordingly, provincial MLS sales will remain flat at 2,275 units this year and next. Price growth will continue to be moderated by sales of lower-priced housing in central Newfoundland, with the average MLS price moving up to \$93,000 by next year.

Prince Edward Island

Good start for residential construction in urban centres

On the basis of a solid first quarter in urban centres, provincial housing starts are on track to reach the 1999 forecast of 535 units. Mild winter weather conditions allowed builders to begin constructing single-detached houses earlier this year. Low mortgage interest rates also contributed to a rise in residential construction activity. We now forecast 140 multiple starts in 1999, more than previously expected, because builders have taken advantage of low interest rates and moved forward with some residential projects.

Following a weak first quarter, construction activity in rural areas is expected to pick up over the next few months, reflecting a stronger rural economy. The Confederation Bridge is making the Island even more popular as a tourist destination and leading to strong demand for summer cottages again this year. MLS sales should benefit from high inventories of existing houses currently available on the market and should exceed last year's record level of 1,125 units. The average sales price will increase slightly, to \$80,000.

Nova Scotia

Momentum grows for Nova Scotia's housing markets

After ending 1998 with little more than healthy optimism, Nova Scotia's housing markets are in the midst of renewed growth that will continue for much of 1999. The effects of the \$3 billion Sable

Island Offshore Energy Project are now being felt in housing markets around the province. Resale activity, which recorded its second-best year ever in 1998, will top 8,200 sales in 1999. If not for the steady decline in the supply of homes for sale, Nova Scotia real estate agents would be looking at a record-setting year. Strong demand will combine with falling supply to support healthy price gains. The average resale price will approach \$100,000 this year.

The strength of the resale market has also brought about a strong recovery in home construction. A strong opening to the year will lead to 2,700 new single-family homes in 1999. Much of this activity will be targeted at the upper end of the market, since a shortage of resale homes at the upper end will lead many consumers to consider building. Falling vacancy rates and greater interest in condominium developments will also contribute to increased home construction in 1999. Multi-family development will top 1,000 for the first time since 1995.

New Brunswick

Continuing consumer confidence to boost activity

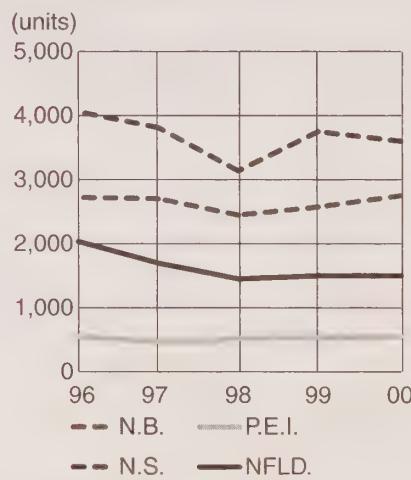
With 20,000 more New Brunswickers working in March 1999 than in March of last year, both the new construction and resale markets are expected to show growth in 1999. Fair winter weather and a high degree of home ownership affordability have provided the requisite conditions for a strong first quarter, particularly in the Moncton and Saint John housing markets.

A resale market in which buyers take advantage of continued low mortgage rates and an ample supply of listings should see 4,150 residential MLS sales this year. However, the large supply of homes available will limit price growth to under 2 per cent.

We expect new construction in urban centres to match 1998 levels and rural housing starts to recover modestly from last year's dismal performance. Strengthened by growth in the service and construction industries, southern New Brunswick housing markets are expected to more than compensate for lagging performance in the resource-based

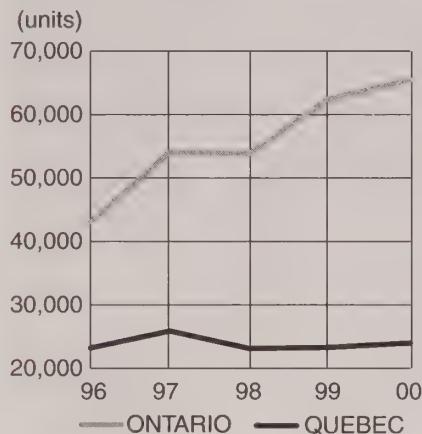
Housing Starts

Atlantic Region



Source: CMHC
1999-2000 Forecast

Housing Starts Quebec and Ontario



Source: CMHC.
1999-2000 Forecast

northern half of the province. As a result, look for gains in single-family home construction in Saint John and multiple activity in Fredericton to lead the way to 2,575 housing starts in 1999.

Quebec

A healthy economy yields a healthy real estate market

A review of first quarter figures shows that the 1999 Quebec housing market is healthy. Urban starts (in centres with 10,000 or more inhabitants) for all housing types combined increased by 17 per cent, to 4,397 units. Sales of existing homes maintained a good pace, with 13,903 MLS transactions, a rise of 14 per cent over the same period last year.

The increase in housing starts came mainly on the strength of a 50 per cent gain in multiple housing, reflecting greater demand for condominium housing, which in turn was stimulated by the creation of jobs for young people. By contrast, single-family home building declined by 13 per cent in the first quarter of 1999.

All in all, the residential construction sector will be active in 1999. Despite the persistent craze in the resale market, the housing starts forecast has been revised to 23,300 units in 1999 and 24,000 units next year.

On the heels of an excellent year in 1998, MLS sales will stabilize at around 43,200 units in 1999. Even with the expected decreases, the level of sales will

remain high, and there is increasing talk of vigorous activity. One real estate agent from the Laurentians, north of Montréal, recently indicated that the abundance of buyers has made sellers less conciliatory in negotiating property prices.

The good sales performance and a decrease in the number of properties for sale in several markets should help increase prices. We therefore maintain the forecast established earlier this year, of prices increasing by 2.7 per cent in 1999 and 2.0 per cent in 2000.

Ontario

Jobs boost home buyers' confidence

With faster-than-average economic growth, Ontario is a good news story. Home starts jumped by over a tenth in the first quarter of 1999 and accounted for just under half of Canada's construction. The province's seasonally adjusted annual rate of home starts moved up to 64,800 from 56,800 in the previous quarter. Both single-detached and multiple home construction were up. In Toronto, March home starts skyrocketed to their highest rate of the nineties.

Housing starts will reach their highest level in nine years in 1999, moving up by 16 per cent to 62,500, and will advance to 65,500 in 2000. Both single and multiple starts will grow. Most of the multiple construction will be ownership homes: town homes and condominiums.

Ontario's leading economic indicators convey a growth atmosphere with a bit of a lull. Consumer confidence is high. Retail sales are high and flat. Ontario's Help Wanted Index is edging up more slowly than in previous months. Demand for homes will be supported by stronger labour markets and an influx of job seekers, as well as by a low Canadian dollar and seven years of expansion in the United States economy.

Home resales have recovered from a January snowstorm and will stay close to last year's levels. Resales will end the year at the relatively high pace established after real interest rates plunged four years ago. Increases are constrained by a diminishing supply of homes in the lower price ranges.

Ontario's average resale price edged up by 2.0 per cent from the same period last year. Toronto's average March MLS price reached its highest level since

October 1991. Increasing prices will prevent buying frenzies. Moreover, consumer attitudes have been tempered by slow income growth and high consumer debt loads. Prospective home buyers developed a sense of moderation during the wild price swings at the outset of the decade.

Seasonally adjusted sales-to-new listings ratios are a good way to compare home market conditions across metropolitan areas. They point to moderate home price growth in Ontario's warmest markets: Toronto, Ottawa, Kitchener, Hamilton and Windsor.

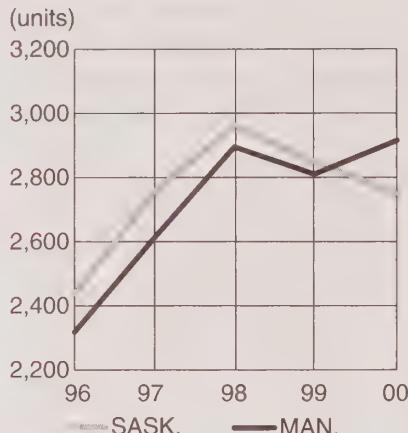
Manitoba

Economic slowdown undermines housing demand

Weak global economies and a commodity price slump are expected to lower economic growth in Manitoba in 1999, undermining housing activity. Farm cash receipts are falling because of low agricultural prices, while slack metal markets dampen the mining-sector outlook. Manufacturing shipments have been volatile over the past six months, with no net growth. Meanwhile, retail sales continue to lose momentum. However, unanticipated strength in the U.S. economy has improved the outlook for Manitoba housing starts this year.

Indications from the retail sector suggest that consumer confidence remains on shaky ground. Accordingly, housing starts are expected to fall a modest 3 per cent to 2,810 units in 1999, and to rise to 2,915 units in 2000, when job gains and confidence respond to improving commodity markets. MLS activity is projected to stall this year, with limited active listings leaving residential sales hovering around the 10,600 mark, before a slight lift in 2000. The steady price of existing homes and the balanced supply of good-quality homes are not providing home builders with an opportunity to increase prices. Average residential prices will drop slightly to \$86,200 in 1999 and will stabilize at \$87,000 in 2000.

Housing Starts Manitoba and Saskatchewan



Source: CMHC.
1999-2000 Forecast

Saskatchewan

Housing markets steady in the face of a weak economy

Depressed global commodity markets blindsided Saskatchewan's economy in 1998, reducing job growth to near zero, but 1999 began with some positive news: increased oil prices, announcements of scientific construction projects, assistance to beleaguered farmers and modest tax reductions in the provincial budget. Most analysts agree that Saskatchewan's dependence on natural resource and agricultural exports will continue to impede job growth. However, in-migration is at historically high levels, the best since the early 1980s, and out-migration has fallen.

After a slow start in 1999, housing starts rebounded in March on the strength of multiple dwelling activity. Most multiple construction in the province is aimed at empty-nesters and seniors, groups not dependent on jobs and thus less affected by a weak economy.

Although fewer single-family units are being built than in 1998, builders report that show-home traffic is steady. There is still a seller's market: Listings of existing homes remain low and average selling prices are rising. Average rental vacancy rates in Regina and Saskatoon remain below three per cent. As these low vacancy rates lead to higher rents, many renters will be motivated to consider home ownership, and there will be pressure on the already scarce supply of affordable resale housing.

Alberta

Housing markets experience a setback

Housing markets across the province experienced a setback in the first quarter. Existing home sales were 10 per cent lower in the first two months of 1999 than in the same period a year ago. The most pronounced decline was in new single-family homes, where increased MLS listings and rising new home inventories dropped starts 29 per cent from last year's level. In contrast, more affordable new multiple units recorded an increase of 41 per cent in the first quarter.

Economic conditions this year are forecast to be less favourable than they were in 1998. Job growth is expected to slow, and migration has come down from last year's record pace. The unemployment rate has increased to 5.8 per cent from 5.4 per cent a year ago. Consumers are more reluctant to spend, and retail sales have dropped below last year's levels. While rising oil prices may ease the slowdown, energy companies will hold back capital spending until they see signs that recent price increases will be sustained.

As a result, activity in all housing segments is forecast to slow this year. Resale markets will see a 9.0 per cent decline in sales in 1999, followed by a more modest 1.3 per cent drop in 2000. MLS price growth is expected to cool from last year, but the 4.2 per cent price growth projected in 1999 will be the strongest in the country. Existing home prices will begin to close the gap with higher-priced, new single-family homes. Home construction will register a mixed performance, as the decline in the single-family market is partly offset by momentum in multi-unit starts. In 2000, total housing starts will experience a mild decline to 22,000 units.

British Columbia

B.C. housing market to rebound by year end

Depressed commodity markets, declining population growth and weak demand for condominiums will reduce housing starts in British Columbia by 25 per cent in 1999, to 15,000. Although lumber prices have recovered somewhat, the mining, pulp and paper, and fishing sectors are not performing as well as they were a few years ago, and housing markets in most of

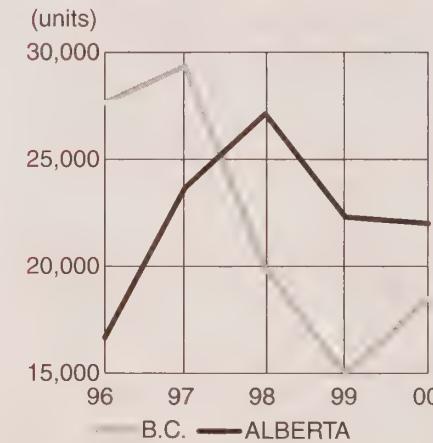
B.C.'s resource-dependent communities are suffering as a result. An exception is Fort St. John, which prospers from oil and gas resources. B.C.'s annual population growth rate dropped to 0.7 per cent in the fourth quarter of 1998, continuing a downward trend that has held since 1994. Out-migration to Alberta and other provinces highlights the magnitude of weak economic conditions. Negative public perception and additional regulations related to water penetration of condominiums have inhibited multiple-family development.

Strength in new housing markets will continue to be limited to the urban areas of B.C., which have shown strong job gains in the service sector. Vancouver, Victoria, and Kelowna now account for more than 85 per cent of provincial housing starts, in contrast to 70 per cent in recent years. Improvements in the Asian economy should trigger housing construction in B.C. in 2000, when the starts level is forecast to reach 18,500.

With B.C. still a preferred destination for international immigrants, the resale housing market will post increases in 1999 and 2000. Sales are forecast to be strong in 1999, up 10 per cent, and to surge another 7 per cent in 2000. Average B.C. MLS prices will stabilize in urban centres, but declines are still expected in resource communities, with the overall average falling 3.8 per cent in 1999 and then increasing by 1.0 per cent in 2000. Overall strength in the resale housing market should spark consumer demand for new housing, as older consumers buy down from single-detached homes to new condominiums and younger people move up in the market.

Housing Starts

Alberta and British Columbia



Source: CMHC.
1999-2000 Forecast



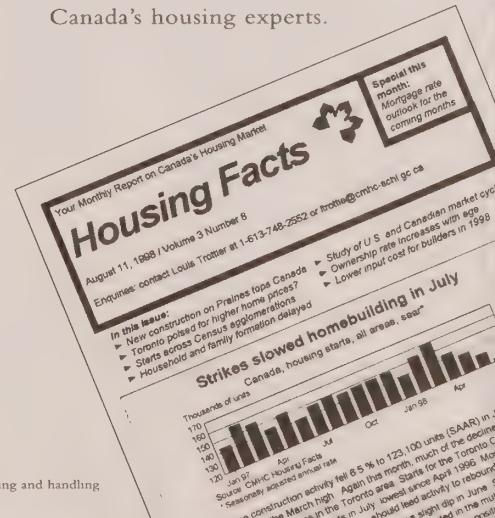
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Housing Starts 1994-99

Total (units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	2243	1712	2034	1696	1450	1500	1500
%	-6.7	-23.7	18.8	-16.6	-14.5	3.4	0.0
PEI	669	422	554	470	524	535	550
%	3.7	-36.9	31.3	-15.2	11.5	2.1	2.8
NS	4748	4168	4059	3813	3137	3750	3600
%	10.9	-12.2	-2.6	-6.1	-17.7	19.5	-4.0
NB	3203	2300	2722	2702	2447	2575	2750
%	-13.3	-28.2	18.3	-0.7	-9.4	5.2	6.8
QUE	34154	21885	23220	25896	23138	23300	24000
%	0.4	-35.9	6.1	11.5	-10.7	0.7	3.0
ONT	46645	35818	43062	54072	53830	62500	65500
%	3.3	-23.2	20.2	25.6	-0.4	16.1	4.8
MAN	3197	1963	2318	2612	2895	2810	2915
%	31.8	-38.6	18.1	12.7	10.8	-2.9	3.7
SASK	2098	1702	2438	2757	2965	2850	2750
%	11.6	-18.9	43.2	13.1	7.5	-3.9	-3.5
ALTA	17692	13906	16665	23671	27122	22300	22000
%	-2.5	-21.4	19.8	42.0	14.6	-17.8	-1.3
BC	39408	27057	27641	29351	19931	15000	18500
%	-7.9	-31.3	2.2	6.2	-32.1	-24.7	23.3
CAN	154057	110933	124713	147040	137439	*137100	*144100
%	-0.9	-28.0	12.4	17.9	-6.5	-0.2	5.1

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	1455	1165	1395	1220	1086	1200	1225
%	-6.7	-19.9	19.7	-12.5	-11.0	10.5	2.1
PEI	454	364	430	374	387	395	415
%	-1.3	-19.8	18.1	-13.0	3.5	2.1	5.1
NS	3358	3040	3278	2939	2257	2700	2600
%	7.4	-9.5	7.8	-10.3	-23.2	19.6	-3.7
NB	2547	1722	2173	2125	1989	2100	2200
%	0.5	-32.4	26.2	-2.2	-6.4	5.6	4.8
QUE	18414	13428	14818	16073	14685	15000	16000
%	7.5	-27.1	10.4	8.5	-8.6	2.1	6.7
ONT	30036	20124	27019	35401	32737	36500	38000
%	14.5	-33.0	34.3	31.0	-7.5	11.5	4.1
MAN	2441	1564	1875	2019	2368	2250	2295
%	30.3	-35.9	19.9	7.7	17.3	-5.0	2.0
SASK	1542	1341	1612	1954	2154	2100	1900
%	14.9	-13.0	20.2	21.2	10.2	-2.5	-9.5
ALTA	12671	10096	12949	18170	20077	16000	16500
%	-2.8	-20.3	28.3	40.3	10.5	-20.3	3.1
BC	16591	11581	12447	12911	8691	7100	9000
%	-6.7	-30.2	7.5	3.7	-32.7	-18.3	26.8
CAN	89509	64425	77996	93186	86431	*85300	*90100
%	5.2	-28.0	21.1	19.5	-7.2	-1.3	5.6

Multiples

(units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	788	547	639	476	364	300	275
%	-6.9	-30.6	16.8	-25.5	-23.5	-17.6	-8.3
PEI	215	58	124	96	137	140	135
%	16.2	-73.0	113.8	-22.6	42.7	2.2	-3.6
NS	1390	1128	781	874	880	1050	1000
%	20.2	-18.8	-30.8	11.9	0.7	19.3	-4.8
NB	656	578	549	577	458	475	550
%	-43.4	-11.9	-5.0	5.1	-20.6	3.7	15.8
QUE	15740	8457	8402	9823	8453	8300	8000
%	-6.7	-46.3	-0.7	16.9	-13.9	-1.8	-3.6
ONT	16609	15694	16043	18671	21093	26000	27500
%	-12.1	-5.5	2.2	16.4	13.0	23.3	5.8
MAN	756	399	443	593	527	560	620
%	37.2	-47.2	11.0	33.9	-11.1	6.3	10.7
SASK	556	361	826	803	811	750	850
%	3.3	-35.1	128.8	-2.8	1.0	-7.5	13.3
ALTA	5021	3810	3716	5501	7045	6300	5500
%	-1.8	-24.1	-2.5	48.0	28.1	-10.6	-12.7
BC	22817	15476	15194	16440	11240	7900	9500
%	-8.8	-32.2	-1.8	8.2	-31.6	-29.7	20.3
CAN	64548	46508	46717	53854	51008	*51800	*53900
%	-8.2	-27.9	0.4	15.3	-5.3	1.6	4.1

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	1873	1655	2005	2170	2288	2275	2275
%	0.3	-11.6	21.1	8.2	5.4	-0.6	0.0
PEI	599	476	750	806	1125	1150	1000
%	-8.4	-20.5	57.6	7.5	39.6	2.2	-13.0
NS	7140	7019	8332	7567	8052	8200	7800
%	-0.6	-1.7	18.7	-9.2	6.4	1.8	-4.9
NB	3339	3496	4023	3941	4080	4150	4100
%	-4.1	4.7	15.1	-2.0	3.5	1.7	-1.2
QUE	33575	29824	39213	43405	45240	43177	42313
%	5.3	-11.2	31.5	10.7	4.2	-4.6	-2.0
ONT	116005	105789	138859	140608	138464	142000	145000
%	7.8	-8.8	31.3	1.3	-1.5	2.6	2.1
MAN	10825	9749	10965	11180	10762	10625	10700
%	2.6	-9.9	12.5	2.0	-3.7	-1.3	0.7
SASK	7459	7349	8689	8346	8068	7800	7800
%	1.1	-1.5	18.2	-3.9	-3.3	-3.3	0.0
ALTA	32512	29098	37485	43693	43383	39500	39000
%	-12.2	-10.5	28.8	16.6	-0.7	-9.0	-1.3
BC	75270	58082	72182	68182	52910	58000	62000
%	-7.0	-22.8	24.3	-5.5	-22.4	9.6	6.9
CAN**	288597	252537	322503	329898	314372	*316900	*322000
%	0.0	-12.5	27.7	2.3	-4.7	0.8	1.6

Average Residential Price (dollars and annual per cent change)

	1994	1995	1996	1997	1998	1999(F)	2000(F)
NFLD	91697	89525	93665	92212	91514	92500	93000
%	0.5	-2.4	4.6	-1.6	-0.8	1.1	0.5
PEI	78753	73807	83962	86352	79577	80000	81500
%	8.7	-6.3	13.8	2.8	-7.8	0.5	1.9
NS	91109	89787	93843	96696	97015	99750	102000
%	2.4	-1.4	4.5	3.0	0.3	2.8	2.3
NB	84149	83994	84206	87211	86648	88000	89000
%	-0.9	-0.2	0.3	3.6	-0.6	1.6	1.1
QUE	102242	98837	98586	101751	104055	106896	109000
%	-0.2	-3.3	-0.3	3.2	2.3	2.7	2.0
ONT	160032	154537	155584	164382	167114	172500	177000
%	2.3	-3.4	0.7	5.7	1.7	3.2	2.6
MAN	83761	81897	85316	85403	86334	86200	87000
%	2.5	-2.2	4.2	0.1	1.1	-0.2	0.9
SASK	72738	73796	77476	83980	87577	90000	90000
%	2.9	1.5	5.0	8.4	4.3	2.8	0.0
ALTA	117336	114772	117672	124864	132905	138500	141500
%	0.2	-2.2	2.5	6.1	6.4	4.2	2.2
BC	229514	221860	218687	220511	212046	204000	206000
%	8.3	-3.3	-1.4	0.8	-3.8	-3.8	1.0
CAN**	158309	150353	150840	154658	152371	*156300	*160400
%	3.5	-5.0	0.3	2.5	-1.5	2.6	2.6

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories

Major Housing Indicators

Seasonally adjusted at annual rates (Levels and quarterly percent change)

	97:Q2	97:Q3	97:Q4	98:Q1	98:Q2	98:Q3	98:Q4	99:Q1
New housing								
Building permits, units, thousands	150.8	163.6	148.7	151.1	147.2	146.8	149.0	157.2
%	-7.4	8.5	-9.1	1.6	-2.6	-0.3	1.5	5.5
Housing starts, total, thousands	145.0	149.6	147.8	147.8	136.5	130.8	137.7	145.9
%	-4.4	3.2	-1.2	0.0	-7.6	-4.2	5.3	6.0
Housing starts, singles, thousands	91.1	95.0	92.4	89.4	86.2	83.0	88.0	87.2
%	-9.1	4.3	-2.7	-3.2	-3.6	-3.7	6.0	-0.9
Housing starts, multiples, thousands	53.9	54.6	55.4	58.4	50.3	47.8	49.7	58.7
%	4.9	1.3	1.5	5.4	-13.9	-5.0	4.0	18.1
Housing completions, total, thousands	148.1	141.5	148.6	146.0	137.5	127.2	129.8	..
%	10.9	-4.5	5.1	-1.7	-5.8	-7.5	2.0	..
New house price index, 1992=100	99.1	99.2	99.5	99.8	100.0	100.2	100.3	..
%	0.3	0.2	0.3	0.3	0.2	0.2	0.1	..
Existing housing								
MLS resales, units, thousands	330.7	325.1	313.6	296.9	327.1	326.3	301.0	310.0
%	-5.8	-1.7	-3.5	-5.3	10.2	-0.2	-7.8	3.0
MLS average resale price, \$C thousands	156.2	154.8	154.4	152.9	152.6	151.2	154.3	153.8
%	1.7	-0.9	-0.2	-1.0	-0.2	-0.9	2.1	-0.3
Mortgage market								
Mortgages outstanding, \$C billions	367.2	372.1	375.9	380.5	385.2	391.7	397.6	..
%	1.3	0.9	1.0	1.2	1.2	1.7	1.5	..
Mortgage approvals, \$C billions	77.1	73.2	67.2	66.9	75.6	77.3
%	-8.3	-5.1	-8.1	-0.5	13.0	2.3
1-year mortgage rate, per cent*	5.38	5.65	5.98	6.40	6.55	6.68	6.37	6.42
5-year mortgage rate, per cent*	7.33	6.95	6.82	6.85	6.95	7.08	6.83	6.92
Residential investment**								
Total, \$1992 billions	42.4	42.5	42.9	42.5	42.1	41.0	41.3	..
%	1.6	0.0	1.0	-1.0	-0.9	-2.5	0.6	..
New, \$1992 billions	21.7	21.5	21.9	21.7	20.9	19.7	20.4	..
%	5.6	-1.0	2.0	-0.9	-3.9	-5.4	3.3	..
Alterations, \$1992 billions	13.3	13.5	13.8	14.0	13.8	13.6	13.8	..
%	1.7	1.3	2.0	1.4	-1.1	-1.5	1.5	..
Transfer costs, \$1992 billions	7.4	7.5	7.2	6.8	7.4	7.7	7.1	..
%	-8.4	0.6	-3.6	-5.8	8.8	3.8	-8.0	..
Deflator, 1992=100	107.7	106.6	107.2	108.0	108.5	108.5	109.6	..
%	0.9	-1.0	0.6	0.8	0.4	-0.1	1.0	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available

* All indicators are seasonally adjusted, except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



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